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GOVERNMENT AND ADMINISTRATION

Prorogation and Opening of Parliament

REVIEW OF THE LAST SESSION

The Queen's speech on the prorogation of Parliament, summarising the work of the session, was delivered to both Houses of Parliament by the Lord Chancellor on 31 October.[1]

The text of the speech (with references to *Survey of Current Affairs* coverage in parentheses) is as follows:

My Lords and Members of the House of Commons.

The Duke of Edinburgh and I were pleased to receive the State Visits of His Highness the Amir of Bahrain in April and the President of the French Republic and Madame Mitterrand last week.

We look back with much pleasure to the visits we have made over the past year. As Head of the Commonwealth I was in New Delhi on the occasion of the Commonwealth heads of Government meeting in November (see pp 411-18, 1983). *We paid State Visits to Kenya, Bangladesh and India in November and Jordan in March. Our thoughts are with the people of India today following the tragedy of Mrs Gandhi's assassination* (see p 409). *We visited France in June, to attend the commemoration of the fortieth anniversary of D-Day. We were in Canada in September and October for the bicentenary celebrations of New Brunswick and Ontario, and to visit Manitoba.*

My Government welcomed the independence of Saint Christopher and Nevis (see pp 303-4, 1983), *Brunei's resumption of full responsibility for its own external relations* (see pp 332-3, 1983), *and the decision of both countries to join the Commonwealth.*

My Government have sustained Britain's contribution to Western defence, playing an active part in the Atlantic Alliance. They welcomed Lord Carrington's appointment as its Secretary-General. In the absence of an arms control agreement, my Government fulfilled their undertaking to begin the deployment of cruise missiles by the end of 1983 (see pp 358-60 and 419, 1983).

My Government, with the United Kingdom's allies, have worked vigorously for balanced and verifiable arms control and disarmament (see pp 400-2) *and have sought to improve relations with the Soviet Union and Eastern Europe* (see pp 49-50 and 252-4). *They fully supported the United States' efforts to achieve nuclear arms reductions and their readiness to resume the negotiations suspended by the Soviet Union.*

My Government agreed with other member states on a fair sharing of the European Community's budget burden and on control of Community spending. They have made proposals for new Community policies (see pp 248-51).

My Government were hosts to the London economic summit in June and welcome its conclusions (see pp 217-20).

My Government have continued fully to discharge their obligations to the people of the Falkland Islands, while seeking more normal relations between this country and Argentina (see pp 404). *They have conducted talks with China on the future of Hong Kong and published the text of a draft agreement* (see pp 368-74). *They have been helping with the conversion of the Royal Navy Dockyard in Gibraltar to commercial operation.*

My Government have continued to support efforts to restore the independent and non-aligned status of Afghanistan and to settle the tragic conflict between Iran and Iraq (see pp 211-12). *They have welcomed moves to reduce tension in Southern Africa, and continue to support peaceful change there and the early independence of Namibia* (see pp 81-2 and 212). *They supported United Nations efforts to settle the Cyprus question* (see pp 422-5, 1983). . . .

I thank you for the provision which you have made for the honour and dignity of the Crown and for the public services. . . .

My Government have maintained the policies necessary to reduce inflation and sustain economic recovery. Inflation remains low and the output of the nation continues to increase (see p 377). *Steps have been taken to increase incentives and to improve the climate for enterprise, the creation of wealth, and adaptability and efficiency in industry and commerce* (see pp 121-4). *Measures have been taken to help the unemployed into jobs, to launch a comprehensive foundation training scheme for young people starting working life, and to improve vocational education and adult training* (see p 59).

In order to promote economic efficiency and growth, my Government have continued their policies of exposing state-owned businesses to competition and returning them to the private sector where appropriate (see pp 306-8). *Legisla-*

[1]*Hansard* (HL), Vol 456, No 180, cols 602-5.

tion has been passed to end British Telecom's exclusive privilege of running telecommunications systems, to establish arrangements for the licensing and regulation of telecommunications systems, and to prepare the way for the sale of British Telecom's shares (see pp 269-72, 1983). *An Act has been passed to enable the introduction of private finance into the Royal Ordnance Factories. The disposal of oil assets of the British Gas Corporation has been successfully completed* (see pp 273-4).

Legislation has been passed to provide for reforms in the tax system, especially for companies, in the interest of greater economic efficiency (see pp 121-4), *to encourage the further development of United Kingdom oil and gas resources by abolishing royalties for certain new fields* (see p 132, 1983), *and to provide a framework for the development of cable programme services and direct broadcasting by satellite* (see pp 183-6). *An Act has been passed to ensure continued funding for the Co-operative Development Agency and to introduce a new scheme of regional development grants* (see pp 135-7).

Legislation has been passed to give trade union members greater democratic control over their unions (see pp 436-8, 1983, and 312-13).

An Act has been passed to protect ratepayers by limiting rate increases by high-spending local authorities, and to provide reserve powers for general limitation of rates (see pp 56-7). *Legislation has been passed making interim arrangements for the Greater London Council and the metropolitan county councils pending a decision by Parliament on the abolition of those authorities* (see p 247).

Acts have been passed to extend the right of public sector tenants to buy their homes, to reform the system of building control in England and Wales (see pp 284-5, 1983), *and to assist purchasers of public sector houses which have proved to be defective. Legislation has been passed to make more farming tenancies available in England and Wales, and to make other improvements in the law relating to agricultural tenancies.*

An Act has been passed transferring control of London Transport from the Greater London Council to the Government (see pp 22-4).

Legislation has been passed to modernise and clarify the law of England and Wales governing the investigation of crime and evidence in criminal proceedings, to strengthen the ties between the police and the community there (see pp 400-4, 1983) *and to extend powers to prevent acts of terrorism and to increase safeguards for people subject to such powers* (see pp 352-3, 1983). .

An Act has been passed to introduce important new safeguards for individuals about whom information is held on computers (see pp 44-7 and 287).

Legislation has been passed to improve family law and its administration in England and Wales (see pp 103-4), *to clarify the liability of occupiers of premises to persons other than their visitors and to amend the law concerning limitation of actions.*

My Government have continued to work for higher standards in education (see p 32), *announcing proposals on the school curriculum* (see p 33), *examinations* (see pp 280, 1983, *and* 188) *and increasing the influence of parents over their children's schooling* (see p 236). *Legislation has been passed to enable grants to be paid to local education authorities in England and Wales for improvements and innovations* (see p 280, 1983).

Legislation has been passed to replace non-contributory invalidity pensions with a severe disablement allowance (see p 31). *My Government have also embarked on a series of fundamental reviews of the social security system* (see p 142), *seeking to ensure that this large programme operates effectively and in ways suited to present-day needs.*

My Government have taken further action to ensure that patients receive the best value for money spent on the National Health Service (see p 391, 1983).

My Government have encouraged Northern Ireland's elected representatives to seek arrangements, acceptable across the community, whereby responsibilities can be returned to local administration (see pp 243-6). *A high priority has been given to the maintenance of law and order and support for the Northern Ireland economy* (see pp 4-5, 21-2, *and* 246-7).

For Scotland, measures have been passed to extend the right of public sector tenants, and to improve the legislation governing rating and valuation, promotion of tourism overseas (see p 439, 1983), *roads and inshore fisheries. . . .*

PROGRAMME FOR THE NEW SESSION

The Queen's speech on the opening of the new session of Parliament – the second session of the forty-ninth Parliament of the United Kingdom – was delivered in the House of Lords on 6 November to members of both Houses.[1]

The text of the speech, which outlines the Government's policies for the coming session, is as follows:

My Lords and Members of the House of Commons.

I look forward with great pleasure to receiving the President of Malawi and the President of Mexico on State Visits during the next 12 months, to paying a State Visit to Portugal in March, and to visiting the Caribbean in the autumn on the occasion of the Commonwealth heads of Government meeting in the Bahamas.

My Government consider as their highest priority the maintenance of national security and the preservation of peace. They will accordingly continue to play an active part in the Atlantic Alliance. They will promote Western defence interests outside the NATO area. They will make vigorous efforts to combat international terrorism.

With the allies of the United Kingdom, my Government will contribute to arms control and disarmament negotiations and will work for the resumption of negotiations where these have been

[1] *Hansard (HL)*, Vol 457, No 1, cols 1-4.

broken off. They will work continually for a greater atmosphere of trust between East and West.

Following the agreement at Fontainebleau on the fairer sharing of the Community's budget burden and on the overall control of Community spending, my Government look forward to the further development of the European Community. They will continue to press for improvements in the Common Agricultural Policy and for completion of the common market in goods and services. They will work for the early conclusion of the negotiations to enable Spain and Portugal to join the Community, and to conclude a new agreement to succeed the Lomé Convention.

My Government will continue fully to discharge their obligations to the people of the Falkland Islands, while seeking more normal relations between this country and Argentina. They will consider the views expressed by the people of Hong Kong on the draft agreement with China, and report to Parliament. They reaffirm their commitment to the people of Gibraltar and hope to see the early implementation of the Lisbon statement.

My Government will continue to work for a settlement in Namibia, a solution to the Arab-Israel dispute and the restoration of the independence and non-aligned status of Afghanistan.

My Government will continue fully to support the Commonwealth, to play a constructive role at the United Nations, to maintain a substantial aid programme, and to encourage investment in developing countries.

My Government will continue to work closely with other nations and international institutions to strengthen and spread economic recovery; and to co-operate on issues connected with the settlement of international debts. . . .

Estimates for the public service will be laid before you . . . .

My Government will continue to pursue policies founded on sound money and lower public borrowing and aimed at securing a further reduction in inflation. While noting that the numbers of people in work are steadily rising, my Government remain deeply concerned about unemployment and will continue policies designed to achieve better opportunities for employment and to help the unemployed obtain the training or work experience needed to fill them.

Firm control of public spending will be maintained. My Government will work for a more flexible and competitive economy through lower taxation, further reform of the tax system, increased efficiency in the public sector and encouragement of initiative and enterprise which will sustain rising living standards.

In order to promote efficiency and growth, my Government will continue their policies of exposing state-owned businesses to competition and, where appropriate, returning them to the private sector. A Bill will be introduced to increase competition in the provision of local bus services in Great Britain and to transfer to the private sector the operations of the National Bus Company.

A Bill will be introduced to increase competition in retail banking by completing the transition of the Trustee Savings Banks to private sector status.

Bills will be introduced to reform insolvency law in England and Wales, and in Scotland, and to remove the statutory levy on cinema admissions and establish an environment for the film and cinema industries free from regulation.

A Bill will be introduced to abolish the Greater London Council and the metropolitan county councils.

Legislation will be introduced to extend the franchise to certain British citizens resident abroad, to change absent voting arrangements in order to enable those on holiday to vote, and to increase the parliamentry election deposit but reduce the threshold for forfeiture. A Bill will be introduced to establish a national prosecution service independent of the police in England and Wales and to enable the Attorney General to refer Crown Court sentences for the opinion of the Court of Appeal. A further Bill will establish a new and comprehensive statutory framework governing the interception of communications.

Measures will be introduced for the administration of justice in England and Wales and making further reforms in the law following reports of the Law Commission. There will be a measure dealing with the international aspects of child abduction and the custody of children.

A Bill will be introduced to improve the occupational pension rights of people who leave schemes before pensionable age and to ensure that members are able to obtain information about their schemes.

Legislation will be introduced for the better protection of food and the environment.

A Bill will be introduced to give parents of children educated at public expense the right to exempt them from corporal punishment. My Government will continue to develop policies to raise educational standards.

My Government will encourage the constitutional parties in Northern Ireland to consider how powers can be restored to local administration on a basis acceptable to all sides of the community, and will seek to maintain good relations with the Government of the Republic of Ireland. The security forces will continue to receive my Government's full support. Legislation will be introduced to prevent personation at elections in Northern Ireland.

Bills will be introduced to establish trustee bodies to manage certain Scottish institutions, and to reform Scots law, including provisions on matrimonial property and financial provision on divorce, following reports by the Scottish Law Commission.

Other measures will be laid before you. . . .

Police and Criminal Evidence Act 1984

The Police and Criminal Evidence Bill, which has been given the Royal Assent, modernises and clarifies the powers of the police and at

the same time provides enhanced safeguards for the citizen. Most of its provisions will come into force at the end of 1985.

The Police and Criminal Evidence Act became law on 31 October. While most of its provisions are substantially the same as when the Bill was given its second reading in the House of Commons in December 1983 (see pp 400-4, 1983) there have been important amendments – notably the clarification of the scope of the power to stop and search and a strengthening of the safeguards governing that power, the introduction of a substantial new protection against the unnecessary detention of a person in custody at a police station, and the establishment of duty solicitor schemes at police stations. The Act also makes racially discriminatory behaviour by the police a specific disciplinary offence.

In a speech to magistrates at Lancaster University on 3 November, the Home Secretary, Mr Leon Brittan, said that the Act 'brings to an end a long period of uncertainty about the powers of the police, which has been unsettling for the police themselves, a check on their ability to do their best for the public in the control of crime, and an impediment to the good relations between them and all sections of the community . . . . Parliament has now provided a firm legal framework for the investigation of crime; and now it is for the police, with the help and support of the communities they serve, to work wisely and effectively within it. The essential feature of the Act is a balance. A balance between the interests of society in bringing offenders to justice, and safeguards for the individual suspected of crime . . . . The . . . Act is both a law and order and a civil liberties measure. As such, it will provide the framework for modern policing with consent into the twenty-first century.'

MAIN AMENDMENTS SINCE SECOND READING

Powers of Stop and Search

In Part I of the Act the scope of the power to stop and search for stolen or other unlawful articles has been clarified to ensure that the ability of the police to protect the public from assault and theft is not artificially impeded. At the same time the safeguards governing the power have been strengthened. There are additional requirements to provide information to a person who is to be searched, and then to record it. These requirements will strengthen the fundamental safeguard that searches may be undertaken only on the basis of reasonable suspicion of the individual concerned, and not on any random or discriminatory basis. The provisions regulating the use of road checks have also been clarified in a way that will make them easier to follow and preserve the ability of the police to trace possible witnesses to serious crime.

Powers of Entry, Search and Seizure

In Part II additional protection has been provided for material that is subject to legal privilege (that is, communications between a professional legal adviser and his client). The uncertainties of the law have been resolved in favour of a clear statement that the police may in no circumstances search for or have access to such material without consent. The provision in regard to journalistic material has been clarified.

Arrest

In Part III new safeguards have been introduced to ensure that any delay in taking an arrested person straight to a police station is necessary for the immediate purposes of the investigation and has to be fully accounted for.

Detention

In Part IV there is a substantial new protection against the unnecessary detention of a person in custody at a police station. The court which reviews the need for such detention on a police application for a warrant will be empowered, if it grants the application, to authorise continuing detention for no more than 36 hours without a further full review. In any case, therefore, in which – very unusually – it proves necessary to detain a person suspected of serious crime for more than 72 hours without charge, there will have to be at least two full hearings at which he or she must be present and will be entitled to be legally represented. Another important new safeguard reinforces the overall time limits on detention by ensuring that the grant of police bail does not turn the detention clock back to zero.

Questioning and Treatment during Detention

In Part V there are new requirements for the publication of information about intimate searches and new safeguards on the taking and destruction of fingerprints and body samples. In order to make the right to legal advice effective, provision is made for the establishment of 24-hour duty solicitor schemes at police stations, under which free legal advice will be available.

Codes of Practice

With regard to the codes of practice for which Part VI provides, a further revised draft, again incorporating new safeguards and protections, particularly in respect of the vulnerable and handicapped, has been published.

It is expected that the codes will be considered by Parliament in early 1985.

Evidence

As a result of wide consultation about the impact of high technology on material available to the courts, the provisions relating to the admissibility of documentary records and computer evidence have been considerably simplified, while ensuring that sufficient and stringent conditions are reliably met.

Police Discipline

A new clause has been introduced in the area of police disciplinary procedures so that an officer may not be punished at a disciplinary hearing by loss of job or rank unless he has been given the opportunity to be legally represented at the hearing.

A further provision makes racially discriminatory behaviour by a police officer a specific disciplinary offence. Regulations, which will be drawn up in consultation with the police staff associations and other parties concerned, will define this offence. (On this amendment, which was introduced into the House of Lords by Lord Scarman, the Home Secretary, Mr Leon Brittan, made clear[1] that it in no way cast a slur on the police or suggested that they were particularly prone to engage in this kind of misconduct; the amendment singled out the police in the sense that it was the police who were dealt with in the Bill. There were comparable provisions obliging immigration officers not to discriminate and the general provisions of the law acted on public officials in a wide variety of ways, requiring them not to act in a discriminatory way.)

IMPLEMENTATION

The Government has said that every serving police officer will need to become familiar with the provisions of the Act since they will permeate every aspect of his or her work. A major training effort will be needed to familiarise all officers with details and to bring out and emphasise the principles and philosophy which it embodies. Standard training packages are being prepared. The Government has acknowledged the exceptional pressures to which the police service is at present subject and has therefore decided to plan for the implementation of the bulk of the provisions of the Act at the end of 1985. It is proposed to implement the provision relating to the Police Complaints Authority in the spring of 1985 and other provisions, principally those concerned with consultation between the police and the local community, at an early date.

Recent Legislation

The public Acts of Parliament passed in October at the end of the parliamentary session are listed below.

Building Act 1984. Consolidates certain enactments concerning building and buildings and related matters. Royal Assent: 31.10.84. Ch 55, ISBN 0 10 545584 9, HMSO, £7·65.

Co-operative Development Agency and Industrial Development Act 1984 (see pp 135-7). Royal Assent: 31.10.84. Ch 57, ISBN 0 10 545784 1, HMSO, £2·70.

Foster Children (Scotland) Act 1984. Consolidates certain enactments relating to foster children as they have effect in Scotland. Royal Assent: 31.10.84. Ch 56, ISBN 0 10 545684 5, HMSO, £2·70.

Ordnance Factories and Military Services Act 1984. Provides for the transfer to a company or companies of certain property, rights and liabilities attributable to the operations of the Royal Ordnance Factories. Also makes provision for the finances of such companies and for investment in them and their subsidiaries. Royal Assent: 31.10.84. Ch 59, ISBN 0 10 545984 4, HMSO, £2·70.

Police and Criminal Evidence Act 1984 (see pp 400-4, 1983, and pp 397). Royal Assent: 31.10.84. Ch 60, ISBN 0 10 546084 2, HMSO.[1]

Rent (Scotland) Act 1984. Consolidates, in relation to Scotland, certain enactments relating to rents and tenants' rights and connected matters. Royal Assent: 31.10.84. Ch 58, ISBN 0 10 545884 8, HMSO, £6·90.

Roads (Scotland) Act 1984. Brings up to date the statutes embodying Scottish roads law. Royal Assent: 31.10.84. Ch 54, ISBN 0 10 545484 2, HMSO, £9·15.

Shorter Note

UK-IRISH EXCHANGES OF CIVIL SERVANTS

A scheme to establish exchanges of civil servants between London and Dublin has been arranged by the Management and Personnel Office in London and the Department of the Public Service in Dublin. The exchange programme was one of the possible measures discussed by the British and Irish Prime Ministers at talks in November 1981 as a means of improving mutual understanding between the two countries (see pp 318-20, 1981). The scheme will be open to experienced civil servants of all disciplines. The exchanges – about three a year in each direction – will last for at least six months. It is expected that such departments as the Ministry of Agriculture, Fisheries and Food, the Department of Health and Social Security, the Scottish Office, the Department of the Environment and the Department of Education and Science will be the main participants, either by sending officers or receiving Irish civil servants.

Similar exchange schemes already exist between the United Kingdom and France, the Federal Republic of Germany and Canada.

Source: Management and Personnel Office press notice, 19.10.84.

[1]*Hansard*, Vol 65, No 212, cols 1099-105.

[1]The price of this Act was not available at the time of going to press.

EXTERNAL AFFAIRS AND DEFENCE

Arms Control and Disarmament

Britain is resolutely committed to the search for balanced and verifiable measures of arms control and disarmament but there has been little progress towards these objectives. Negotiations about reducing the most destructive weapons have been unilaterally suspended, and others have inevitably been affected, despite the efforts of the Western allies to put forward fresh ideas and stimulate progress.

The British approach towards achieving greater international security and stability at lower levels of forces was recently discussed in a wide-ranging speech given at the United Nations by Mr Richard Luce, Minister of State at the Foreign and Commonwealth Office.

Britain's Approach

Addressing the UN General Assembly First Committee on 1 November, Mr Luce said that peace could not be strengthened in a vacuum: Britain was convinced of the need for a deeper understanding between East and West, and was taking every opportunity to nurture a productive dialogue. The aim was to increase comprehension and, even more important, to avoid misunderstanding. Only with rebuilt mutual trust and confidence would the prospects for progress in arms control be enhanced. Recent East-West exchanges had shown the two sides were not far apart in their stated aims, and the need now was to translate declarations of mutual interests into concrete and binding agreements (see also pp 252-4).

Britain's objective remained the strengthening of peace and security at lower levels of arms and expenditure. 'We will firmly maintain our capacity, with our allies, to defend ourselves and to deter any potential aggressor . . .', Mr Luce said, 'but we will always remain determined to talk, to negotiate and to be constructive.'

Balance and Verification

Two key principles underpinned the British approach: balance and verification. Each required imagination and flexibility, with due regard for the art of the possible, as well as to the legitimate interests of national security. The need for pragmatism and a step-by-step approach was the essence of Britain's approach to arms control as well as other international issues.

Balance, said Mr Luce, was fundamental. It was generally accepted that, if rival military powers were to reach agreements, the terms had to be fair and be seen to be fair by all sides, and be expressed in clear, readily understandable terms. But existing numbers and structures of forces were not always symmetrical, and to achieve balance mutually acceptable means of comparing different types of forces might have to be found. Britain welcomed the fact that the United States had shown this sort of flexibility in the nuclear negotiations before they were suspended by the Soviet Union. 'At the same time', said Mr Luce, 'such an inevitably complex process must not be pursued at the expense of our own security.'

It was also common ground that arms control and disarmament agreements had to be verifiable, although here it often proved most difficult to translate agreed principles into agreed treaty provisions. A perfect standard of verification was all but impossible, yet inadequate verification was unacceptable. The definition of adequate verification in each case would be a matter for careful political judgment, resting upon technical factors. 'We seek arms control and disarmament agreements not for their own sake, but so that they should be put into practice', said Mr Luce. 'Our aim is to ensure that future agreements contain unambiguous and effective provisions providing the maximum incentive for strict compliance. This is the only way in which arms control will strengthen confidence between states . . . . We urge other states to recognise that co-operation over such verification, whatever its inherent problems, is the only way to create confidence that agreements will be observed.'

Nuclear Weapons

Mr Luce found it 'almost incredible' that at this moment the vital strategic arms reduction talks and the negotiations on intermediate-range nuclear weapons remained unilaterally suspended by the Soviet Union (see pp 418-19, 1983). The United States had made clear its willingness to resume negotiations anywhere, at any time, and did not impose preconditions. There was an urgent need – in the Soviet Union's interests as well as everyone else's – for talks to begin again.

Referring to discussion of merging the two negotiations, Mr Luce said that Britain had no objections in principle provided that both the United States and the Soviet Union believed that it would hasten progress towards nuclear arms

reductions, and 'not merely pile one set of problems on top of another'.

In the meantime Britain and its allies had continued to demonstrate, in practical terms, their wish to reduce nuclear stockpiles. In 1980 NATO had removed 1,000 nuclear warheads from Europe. In 1983 NATO ministers had decided to withdraw 1,400 more, as well as one warhead for every Cruise and Pershing II missile deployed. As a result, five warheads would have been removed for every new one deployed, and the number of NATO's nuclear warheads in Europe would be at the lowest level in over 20 years. These actions bore witness to a resolve to maintain security at the lowest possible level of arms. On the other hand, however, experience clearly showed the lack of response by the Soviet Union.

Non-Proliferation

Turning to the 'major, positive contribution' which the Non-Proliferation Treaty made to international security, Mr Luce said that Britain had been active in seeking the widest possible adherence, and wished to do all that it could to encourage the non-proliferation process.

The Treaty had been remarkably successful and, with the associated safeguards implemented by the International Atomic Energy Agency, had become a solid bastion against instability and insecurity. Welcoming the fact that the Soviet Union was following the example of Britain and the United States by negotiating a voluntary safeguards agreement covering civil nuclear facilities, Mr Luce said that Britain was totally committed to the Treaty, and was already preparing for the third review conference, to be held in Geneva in 1985.

Conventional Weapons

While nuclear weapons would continue to cause profound anxiety, it was important to remember the horror and destructive power of so-called 'conventional' weapons. Some 90 per cent of world military spending was devoted to non-nuclear forces, and it had been conventional, not nuclear, weapons which had been the instruments of over 10 million deaths in international conflict since 1945, and millions more in civil strife. Mr Luce welcomed the recent United Nations study on conventional arms and armed forces,[1] adopted by consensus, and its emphasis on the responsibility of all states to seek reductions in such forces.

Outer Space

In its concern to help to prevent an arms race in outer space, Britain supported negotiation and mutual restraint, and had welcomed the United States' swift and constructive response to the Soviet Union's proposal in June for talks on outer space arms control. The Soviet Union's inability 'to take yes for an answer' (see p 253) had been a profound disappointment, but Britain remained convinced that contacts between the two countries offered the best prospects for progress and hoped that they would soon find mutually acceptable conditions to enable the talks to get under way. Mr Luce welcomed President Reagan's recent assurance to the United Nations General Assembly that the United States would consider what measures of restraint both sides might take while negotiations proceeded.

Other states, too, had an interest in averting uncontrolled military competition in space, and Britain had been disappointed that the Conference on Disarmament had been unable to achieve a consensus on forming an *ad hoc* committee with a specific mandate to identify and examine issues relevant to the prevention of an arms race in space.

Chemical Weapons

Emphasising British concern about the growing threat posed by chemical weapons, Mr Luce said that the Government was firmly committed to working for a comprehensive, worldwide ban. Britain had unilaterally abandoned its own chemical weapons a quarter of a century ago, and the United States had not produced any since 1969. This restraint, however, had not been reciprocated by the Soviet Union, which had an ever-growing chemical warfare capability, estimated to comprise over 300,000 tonnes of lethal nerve agents.

Britain condemned the use of chemical weapons anywhere, especially when it was in breach of solemn obligations under the Geneva Protocol, and – in the light of the evidence of their use in the conflict between Iran and Iraq (see footnote, p 367) – had, with other Western countries, imposed export controls on certain chemicals which could be misused to make weapons.

The Conference on Disarmament's work on a chemical weapons convention was the one area where some progress had been recorded, although hopes at the session's opening session had not been fulfilled. Britain had put forward a new proposal for challenge inspection in cases of non-compliance with the convention which could not be resolved through routine inspection procedures (see pp 79-80) and had warmly welcomed the full draft convention tabled by the United States. It had also welcomed the acceptance in principle by the Soviet Union of continuous international on-site inspection of the destruction of stockpiles of weapons. In July Britain had tabled the latest in a series of detailed proposals on ways to ensure non-production of chemical weapons after the entry into force of the convention.

Conference on Disarmament in Europe

Turning to the Stockholm Conference on Disarmament in Europe, part of the process initiated by the 1975 Helsinki Final Act (see pp 48-9), Mr Luce said that it required participating countries to undertake new effective and concrete measures to

[1] The study, by a group of non-governmental experts set up by the United Nations in 1982, recommends that major arms suppliers and recipients should enter into negotiations with a view to concluding agreements designed to halt the spread of increasingly sophisticated conventional weapons throughout the world. Possible areas for agreement include qualitative restrictions on weapons perceived as being particularly threatening; restrictions on or reductions in military budgets and expenditure; quantitative and/or qualitative limitations on arms transfers; additional restrictions on weapons which cause unnecessary suffering (see p 320, 1980); and confidence-building measures which promote conventional arms limitation and disarmament.

give effect to the duty of states – assumed under the United Nations Charter – to refrain from the threat or use of force. 'We are therefore mandated specifically to negotiate confidence- and security-building measures which are militarily significant, politically binding, verifiable and cover the whole of Europe.' Proposals tabled at the start of the Conference by Britain and its allies (see p 206) met these criteria. They consisted of a set of concrete measures designed to reduce the likelihood of an outbreak of hostilities in Europe, through greater openness about military behaviour; they were practical proposals and, if implemented, could have a major and beneficial effect on mutual confidence. Mr Luce hoped that all participants attached the same importance as Britain to achieving concrete results before the Vienna review meeting in 1986.

Other proposals tabled at Stockholm, however, had included statements of intent which by their nature could not be verified, or overlapped with the work of other disarmament fora; and it was ironic, in Britain's view, to hear proposals for the freezing and subsequent reduction of military budgets from the very states which had consistently refused to take any part in the United Nations Secretary-General's exercise on the standardised reporting of military budgets. The balanced and verifiable reduction of military expenditure was a potentially important road towards disarmament but a firm base of comparable data was an essential starting point.

Mutual and Balanced Force Reduction Talks

The problem of establishing comparable and agreed data as a basis for making reductions had also hindered the Mutual and Balanced Force Reduction Talks in Vienna. In April the Western participants had tabled a major initiative, offering a real opportunity to resolve the long-standing disagreement over the size of the Eastern forces in the reductions area (see p 206). The initiative, Mr Luce continued, offered flexibility on the initial data required in return for enhanced measures of verification, and it built on various aspects of the Eastern position, particularly on the form and timing of reductions. The Eastern reaction had so far been disappointingly negative.

Environmental Modification Convention

Mr Luce recorded that it was heartening to note that the first review conference of the Environmental Modification Convention,[1] which took place in Geneva in September, had been held in a spirit of co-operation, free from rancour or polemics. The Convention, for which Britain favoured the widest possible support, was a modest achievement but had 'usefully blocked off a potential avenue for military competition and degradation of the environment', and its consultative procedures could form a useful precedent for other agreements.

[1]The Convention, which entered into force in 1978, prohibits the use of environmental modification techniques having widespread, long-lasting or severe effects as the means of destruction, damage or injury to another state. The techniques defined cover means of releasing or manipulating the natural forces of the earth, the oceans, the atmosphere or outer space through, for example, altering ocean currents or generating earthquakes. Britain signed the Convention in 1977.

Antarctica

That Antarctica was the only continent free from the tensions of military build-up and confrontation, Mr Luce told his audience, was entirely due to the effective operation of the Antarctic Treaty, which had demilitarised and denuclearised the area and kept it free from conflict. The Treaty was balanced and verifiable; Britain was convinced of its value, and would oppose any move which would undermine it.

Conclusion

In his concluding remarks, Mr Luce said that the relentless march of military technology had rendered the goal of arms control more complex and more urgent, but there could be no prospect of progress unless the political will were seen to exist. Britain had the will, and its objective was to enhance security for all at lower levels of forces. It would persevere in working for increased confidence and trust, and for a breakthrough in arms control.

The Western European Union

At a meeting of the Council of Ministers of the Western European Union in Rome on 26 and 27 October, Britain supported the Union's reactivation as a means of strengthening the European contribution to the North Atlantic Alliance and improving defence co-operation among the countries of Western Europe.

The Western European Union (WEU) came into existence under the modified Brussels Treaty of 1954. Under this treaty the seven member states – Belgium, Britain, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands – committed themselves to the progressive integration of Europe, to close co-operation with the North Atlantic Treaty Organisation (NATO), and set upper limits for the size of land and air forces maintained on the European continent in peacetime. The treaty also committed Britain to the maintenance of forces on the European mainland. The Federal Republic of Germany agreed not to produce atomic, biological or chemical weapons and to accept limitations on the production of missiles, bomber aircraft and warships. (The limitations on warships were lifted in 1980 and those on other conventional weapons in mid-1984.)

The WEU's institutions comprise the Council of Ministers, the Permanent Council, the Assembly, the Armaments Control Agency and the Standing Armaments Committee. The Council of Ministers meets once every year, and the Permanent Council, consisting of representatives from member states, meets about ten times a year under the chairmanship of the Secretary-General. The Assembly consists of 178 delegates drawn from member states' Parliaments and meets twice a

year. The Armaments Control Agency was set up in 1954 to ensure observance of the treaty's provisions on levels of armaments and forces and on Federal German undertakings not to produce certain types of weapon. In 1955 the Standing Armaments Committee was created to improve co-operation and standardisation in the production of weapons and weapons systems.

Following a French initiative designed to seek ways of making better use of the WEU, a ministerial meeting took place in Paris on 12 June (see pp 251-2). The Council decided to ask a working group to prepare detailed proposals for ministers to consider. At the invitation of the Italian Government, member states' foreign and defence ministers met in Rome on 26 and 27 October to mark the thirtieth anniversary of the modified Brussels Treaty.

BRITAIN'S VIEWS

Commenting on the outcome of the Rome meeting, Lady Young, Minister of State at the Foreign and Commonwealth Office, told the House of Lords on 29 October (*Hansard* (*HL*), Vol 456, No 178, cols 421-6) that Britain had given active and positive support to the reactivation of the WEU in order to strengthen, and to explain the nature of, the European pillar of NATO and to improve European defence co-operation. This reactivation, however, did not change two essential realities: namely, that Britain's national defence could be assured only through NATO, and that European co-operation in defence equipment was best pursued through NATO's Eurogroup and the Independent European Programme Group.[1]

Role of the WEU

The WEU, explained Lady Young, had three particularly valuable features for Britain: it was bound to the North Atlantic Alliance; it provided the legal basis for Britain's commitment of substantial land and air forces to the European mainland; and the WEU Assembly was the only European parliamentary forum empowered by treaty to discuss security and defence questions. There was a need for the European allies to discuss political/military issues in depth, including how to respond to the renewed and insistent public questioning of defence policies, and how best to improve conventional defence at a time of rising costs; Europe's ability to take a larger share of the responsibility for common defence; and the European role in the defence of Western security interests in the wider world. These problems were common to Britain and its European allies, and the WEU provided a forum for their discussion since it gathered together the seven allies at the heart of Western Europe.

Lady Young said that the WEU's functions had to be carefully defined and that Britain had successfully insisted that, though better use should be made of its institutions, this should be done without any encroachment on NATO's functions and those of the Eurogroup and the Independent European Programme Group. The WEU could not, and did not wish to, play the role of NATO, which remained the foundation of Britain's security. The objective had to be a stronger and more cohesive European contribution to the Alliance's common defence, and a strengthening of Europe's links with North America and of the United States' commitment to European defence. The WEU could make a particular contribution to this process.

The European Contribution to Defence

Lady Young pointed out that the need to strengthen Europe's contribution to the NATO alliance had become clearer during the past year and had been brought into focus by a debate in the United States Senate on a proposal that 30,000 United States troops should be withdrawn from Europe each year between 1987 and 1989 unless in the preceding year the European allies increased defence spending by 3 per cent or significantly improved their conventional defence. Although the proposal had been defeated,[1] further pressure from the Congress and the United States administration on the European allies to increase their contribution could be expected. Yet much of Europe's impressive contribution was not fully understood in the United States. The European allies maintained 3 million men and women on active duty as against 2 million by the United States; including reserve forces, the figures were 6 million and 3 million respectively. Of the Alliance's ready forces in Europe, the European allies contributed 90 per cent of the ground forces, 80 per cent of the combat aircraft, and 80 per cent of the tanks, and provided 70 per cent of the fighting ships in European waters and in the eastern Atlantic (see also pp 203-4). Britain, however, would continue to support European efforts to improve further the combat capability of the Alliance's conventional forces with the objective of enhancing the credibility and effectiveness of the strategy of flexible response.

ROME DECLARATION

In their Rome Declaration ministers stressed their attachment to the goals of the 1954 treaty, namely the strengthening of peace and security, the promotion of European unity, the encouragement of Europe's progressive integration, and closer co-operation among member states and with other European organisations. They emphasised their determination to make better use of the WEU framework in order to increase co-operation in the field of security and to encourage consensus, and called for 'continued efforts to preserve peace, strengthen deterrence and defence, and thus consolidate stability through dialogue and co-operation'. A better utilisation of the WEU would not only contribute to the security

[1]The Eurogroup brings together the defence ministers of Britain and the continental members of the Alliance, with the exception of France, in order to ensure that the European contribution to common defence is as strong and effective as possible. The Independent European Programme Group, which includes France, promotes European collaboration on defence equipment and seeks to foster a more balanced co-operation with the United States in the transatlantic armaments trade.

[1]The debate took place in the Senate on 20 June and the proposal, presented by Senator Sam Nunn, was defeated by 55 votes to 41.

of Western Europe but also to an improvement in the common defence of all the countries of the Atlantic Alliance, which remained the foundation of Western security and which had preserved peace on the European continent for 35 years. Member states also recalled the important contribution made to common security by allies who were not WEU members and stressed the need to work in concert with them.

Emphasising the major contribution made by the Assembly to the WEU's revitalisation, ministers called upon it to strengthen member states' solidarity and to strive to consolidate the consensus among public opinion on security and defence needs.

Institutional Reform

A separate document agreed in Rome sets out a number of specific measures to improve the way in which the WEU carries out its work. The Council of Ministers will in future normally meet twice a year instead of once and the Presidency will be held by each member state for a one-year term. Because of the increased activity of the Council of Ministers, the work of the Permanent Council will also be increased. A number of options are to be considered in order to improve contacts between the Council of Ministers and the Assembly; these include a substantial improvement in present procedures for giving written replies to Assembly recommendations and questions, the development of informal contacts between representatives of governments and those of the Assembly, and improvements in procedures through which the Assembly is kept informed by the Presidency.

It was agreed that, since the original control functions of the Armaments Control Agency had become for the most part superfluous, the remaining quantitative controls would be abolished gradually and lifted entirely by 1 January 1986. The existing commitments concerning atomic, biological and chemical weapons, however, would be maintained. Ministers also instructed the Permanent Council to consider a reorganisation of the WEU with a view to enabling it to study questions relating to arms control and disarmament, to examine security and defence problems and to contribute to European armaments co-operation.

The Falkland Islands

In a debate in the United Nations General Assembly the British Government has reaffirmed its conviction that the Falkland Islanders' right to self-determination was no less inalienable than that of other peoples, and that it would not support a resolution on the Falkland Islands that did not protect this right.

The General Assembly debate, the third since the Argentine invasion and occupation of the Islands in 1982, took place on 31 October and 1 November. Shortly after the November 1983 debate (see pp 426-30, 1983) the British Government, having welcomed Argentina's return to democracy in October 1983, initiated a series of exchanges (through the protecting powers) with the new Argentine Government of President Raul Alfonsin with a view to restoring normal relations between the two countries. With the help of the protecting powers (Switzerland and Brazil), arrangements for direct talks were agreed on a basis designed to prevent them foundering on the issue of sovereignty over the Falkland Islands. At the talks in Berne in July 1984, however, Argentina overturned this agreement by insisting that no progress could be made towards normalisation of relations without the certainty that a mechanism would be established to permit negotiations over sovereignty (see pp 293-6). This position was reaffirmed by President Alfonsin when addressing the General Assembly in September, and in subsequent remarks to the press the President made clear that the only acceptable outcome of such negotiations would be the transfer of sovereignty to Argentina within a very short time (see footnote, p 367).

UNITED NATIONS DEBATE

Before the General Assembly was a draft resolution sponsored by Argentina and 19 other Latin American countries. This requested Britain and Argentina to resume negotiations for a peaceful solution to the sovereignty dispute and their remaining differences relating to the Falkland Islands, and asked the UN Secretary-General to continue his mission of good offices to assist them in the search for a solution. In so doing, the draft reaffirmed the obligation of states to settle their disputes by peaceful means, and the need for the parties to take due account of the interests of the Falkland Islanders in accordance with previous resolutions [none of which recognised the Islanders' right to self-determination]. The resolution, adopted on 1 November, received 89 votes and there were 54 abstentions. Britain and 8 other countries voted against. All Britain's partners in the European Community abstained, while two-thirds of Commonwealth countries declined to support the resolution.

British Statement

Despite the setback encountered at Berne, Britain's Permanent Representative to the United Nations, Sir John Thomson, told the General Assembly on 31 October, Britain remained ready to work for better relations with Argentina, though the position adopted by Argentina at Berne, and since reaffirmed, had not made it easier to find a constructive way forward. President Alfonsin's statements in October had also been disappointing, and it was in the light of such statements, as well as of other uncompromising indications of Argentina's true ambitions, that the draft resolution should be examined.

The draft resolution, Sir John continued, differed in some respects from that adopted in 1983, but these changes were essentially cosmetic and

the operative paragraphs remained virtually identical. Britain would oppose it for a number of reasons. It ignored the Argentine invasion of 1982, and in so doing suggested that nothing out of the ordinary had happened to cause a breakdown of talks in that year. The profound effect of the invasion on attitudes in Britain as well as in the Falkland Islands could not be swept aside, particularly in a democracy, and made it unrealistic for Argentina to insist on tackling the sovereignty issue instead of engaging in dialogue and confidence-building measures. Again, the resolution sought to convey the impression of neutrality on the sovereignty question, whereas Argentina had made it clear that it would only accept a solution involving the transfer of sovereignty over the Islands, irrespective of the wishes of the inhabitants. Finally, the draft did not accept the principle of self-determination for the Falkland Islanders. In Britain's view, the Islanders, right to self-determination was no less inalienable than that of other peoples, and no one could take it away from them.

Why, Sir John asked, should the Falkland Islanders not have a government of their own choosing? They were, as one of their elected councillors had told the UN Fourth Committee on 30 October, a 'people with a common culture, common way of life and common political ambitions'. They were not, as some had suggested, a recently arrived population. Indeed, the families of many had been resident in the Islands for far longer than many Argentine families had been resident in Argentina. As the Fourth Committee had heard from the elected representatives, the overwhelming majority of the Islanders wished to maintain their links with Britain and did not want to become part of Argentina. It had been suggested that Argentina would provide guarantees for the status of the inhabitants, but, Sir John commented, 'the notion of guarantees presupposes that it is for others to decide where the interest of the Falkland Islanders lie. Surely there is no people who are prepared toward the end of the twentieth century to agree that their interests should be determined by foreigners.'

After referring to statements by Argentina's supporters that the Islanders did not have the necessary relationship with the territory to be able to legitimately exercise the right of self-determination, Sir John concluded: 'In fact what we have in the Falkland Islands is a settled and self-sustaining community that has been there for 150 years and wishes only the right to determine its own future. This is a right that we accord willingly to the people of Afghanistan, the people of New Caledonia, the people of South Africa. Why should the Falkland Islanders be treated any differently?'

The Falkland Garrison

Earlier in his speech Sir John had responded to Argentine allegations regarding the militarisation of the South Atlantic. Britain's military forces on the Islands, he explained, were the minimum necessary to prevent a repetition of the events of 1982. The new Argentine Government, he reminded the Assembly, was not prepared to declare a formal cessation of hostilities, and if it had not been for the 1982 invasion, the garrison would probably still be the same size as previously – some 40 or 50 strong. As for the new airfield, this, when completed, would, by facilitating the Islands' rapid reinforcement, enable the size of the permanent garrison to be reduced. In addition, in line with the recommendations of the Shackleton report (see pp 321-3, 1982), the airfield would have an important role in the territory's economic development. In the long run Britain hoped that its function would be primarily civilian.

With regard to allusions to the introduction of nuclear weapons into the region, Sir John pointed out that Britain had ratified the two additional protocols of the Treaty of Tlatelolco (see footnote, p 428, 1983) and had scrupulously observed its obligations under them: first in not deploying nuclear weapons in territories for which it was internationally responsible within the Treaty's zone; and secondly in not deploying nuclear weapons in the territories for which the Treaty was in force.

Argentine Views

Addressing the General Assembly on 31 October, Argentina's Foreign Minister, Señor Dante M. Caputo, said that the Falklands conflict had begun with a British act of force resulting in the expulsion of the Argentine population, a situation which Argentina had never accepted. International law did not admit the acquisition of territory by force, thus the large sums invested in the consolidation of 'a military and colonial situation' would not affect the position. The Islands were part of Latin America and Argentina's determination to recover them would not diminish.

The Argentine Government was firmly committed to seeking a peaceful solution, and its willingness to negotiate contrasted with British insistence that Argentina 'must live with the consequences of the 1982 conflict'. In negotiating, Señor Caputo said, Argentina wished to discuss everything, including the central question of sovereignty. Negotiations would also have to take account of the need to ensure the re-establishment of British-Argentine relations on a 'permanent basis', and the status of the Islanders would require special attention.

The Middle East

The need for a solution to the Arab-Israel conflict that would recognise both Israel's right to secure existence and the Palestinians' right to self-determination was emphasised by Britain's Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, during a visit to Israel in October.

The Foreign and Commonwealth Secretary's visit from 28 to 30 October formed part of a series of visits to Middle Eastern countries which began in January 1984 when he visited Egypt, Saudi Arabia

and Syria (see pp 50-2). On 28 October Sir Geoffrey also paid a brief visit to Lebanon.

Arab-Israel Conflict

Speaking in Jerusalem on 29 October, at a dinner hosted by Israel's Foreign Minister, Mr Yitzhak Shamir, Sir Geoffrey said that Britain shared Israel's longing for peace in the region. A settlement of the Arab-Israel conflict was high on its agenda, and 'a central feature of any such settlement must be an unqualified acknowledgment of Israel's right to security. Our commitment to your right to security is unwavering.'

A solution to the conflict could only come through negotiation, Sir Geoffrey continued, and would need to enjoy the support of all the parties concerned. Camp David and the peace treaty with Egypt (see pp 91-2, 1979) demonstrated what could be achieved, but the challenge now was to achieve a wider settlement. A firm platform from which peace efforts could be launched was UN Security Council resolution 242 (1967), but this was not enough in itself.

While acknowledging that outsiders should not try to lay down detailed settlement terms, Sir Geoffrey said that Britain and its partners in the European Community believed that a lasting settlement could be found only on the basis of two principles: acceptance by all of Israel's right to secure existence, and acceptance by all of the Palestinians' right to self-determination. The latter meant that the Palestinians should be able to choose what attainable constitutional arrangements they could willingly accept, and also who should represent them. Whoever was chosen would, like all the other parties, have to accept the two central principles and commit themselves to finding a solution by peaceful means. This would apply with particular force if the Palestinians were to choose the Palestinian Liberation Organisation, who would then need to be associated with the negotiations.

It was essential to create a climate of confidence for negotiations, Sir Geoffrey emphasised, and Israel had a crucial part to play in this. He welcomed the Israeli Government's declared intention to ease restrictions on Palestinians living in the occupied territories and hoped that this process would be developed and broadened. But the single most effective measure Israel could take would be a freeze on settlements on the West Bank. 'That would make it plain to all that Israel has no intention of pre-empting the outcome of negotiations about the long-term future of the territories.'

European countries, Sir Geoffrey added, wanted to help the search for a settlement by encouraging practical moves by the parties concerned. They could also help to provide guarantees for a settlement, as some did already in Sinai (see pp 156-7, 1982). In addition, the United States had a crucial role to play, and Sir Geoffrey welcomed President Reagan's recent affirmation of his 1982 proposals for a settlement (see pp 285-6, 1982).

Lebanon

At a press conference during his visit to Lebanon on 28 October, Sir Geoffrey said that Britain's view of Lebanon's problems remained unchanged. The British Government had condemned Israel's invasion of June 1982 and had consistently urged the withdrawal of all foreign forces from the country. It had also sought to encourage the process of reconciliation within Lebanon, perhaps most notably by providing direct security assistance through participation in the multinational force (see pp 50-1) and through the provision of £7·5 million in aid over the last two years.

Referring to the Lebanese situation again at a press conference in Jerusalem on 30 October, Sir Geoffrey said that it was apparent that both the Israeli and Lebanese Governments had the same objectives: an early withdrawal of Israeli forces and the establishment of a stable, peaceful frontier, to the benefit of both peoples. In his view, the practical differences between the two sides were bridgeable, and it was important that progress on the substance of the dispute should not be held up by obstacles over procedure. Britain and others were ready to assist in the process, but, here again, the main responsibility rested on Israel and Lebanon, as well as on Syria.

South Africa: Incident at the Durban Consulate

Britain has told South Africa that the three anti-apartheid campaigners who remain in the British Consulate in Durban will not be forced to leave against their will, and has denied South Africa's claim that this constitutes an obstruction to the enforcement of South African law. At the same time Britain has acted to stop the three abusing consular premises by indulging in political activities, and warned them that any disturbances resulting from such activities would cause Britain to review its position. Britain has also deplored South Africa's refusal to honour its undertaking to return four South African citizens facing charges on arms embargo offences to face trial in Britain and rejects South Africa's linking of the two cases.

On 13 September, six anti-apartheid campaigners[1] asked for temporary refuge in the British Consulate in Durban. Five of them were among 35 people who had been arrested on 21 August, on the eve of the elections to South Africa's Coloured and Indian parliamentary chambers, for having led a campaign to boycott the polls on the grounds that

[1]The six were: Mr Archie Gumede, one of three national presidents of the United Democratic Front (UDF) and President of the Release Mandela Committee; Mr Mawalal Ramgobin, UDF National Treasurer and Natal Indian Congress (NIC) Executive member; George Sewpersadh, NIC President; Mr Oorogian Naidoo, vice-president of NIC; Mr Billy Nair, NIC Executive member; and Mr Paul David, NIC Executive member. The NIC was founded by Mahatma Gandhi in 1904 to campaign for Indian rights. The United Democratic Front is a multiracial alliance of more than 600 community bodies, trade unions, political groups, and women's, religious and student organisations, and, regarding itself as a broad anti-apartheid front, is strongly opposed to the new South African Constitution.

black South Africans were not represented in the new constitutional arrangements.[1] On 7 September the Natal Supreme Court had ordered the release of these five from prison, together with two others, on the grounds that the Minister of Law and Order, Mr Louis Le Grange, had not produced sufficient evidence that the prisoners posed a threat to national security. Two days later, the Minister ordered their re-arrest.

On the same morning that the six sought refuge in the British Consulate, a statement by them in the form of an open letter to the South African Minister of Law and Order was distributed to the press by representatives of the United Democratic Front (see footnote, p 406). In it the six said they wished to place on record that they had committed no offence in opposing the Government's constitutional proposals and that their entire conduct and that of their organisations had always been concerned with the peaceful attainment of a free, just and democratic society for all the peoples of South Africa. As well as requesting refuge, the six asked Britain to facilitate the conduct of negotiations between them and the South African Government.

Commenting on their requests in a letter to the Leader of the Labour Party, Mr Neil Kinnock, on 13 September, the Prime Minister, Mrs Margaret Thatcher, said that from the moment Britain had first been informed of their presence at the Consulate, instructions had been issued that they should not be required to leave the premises against their will. The letter continued: 'While it would not be right for Her Majesty's Government to act as an intermediary between them and the South African Government, they have lawyers who have been actively involved in this capacity, and with whom we are in touch.'

In the following days several exchanges took place between British and South African officials during which South Africa expressed dissatisfaction with Britain's handling of the affair, which it saw as an obstruction to the enforcement of South African law; Britain denied this. On 24 September the South African Foreign Minister, Mr R. F. (Pik) Botha, said that his Government had decided not to return four South African citizens facing trial in Britain on arms smuggling charges,[2] in retaliation for Britain's refusal to hand over the six men in the Durban Consulate or to allow South African police to arrest them.

[1]The elections were for the separate chambers for coloureds (the 85-member House of Representatives) and Indians (the 45-member House of Delegates) which, with the all-white 178-member House of Assembly, comprise South Africa's new Parliament as proposed in the 1983 Constitution Bill. Turnout in the elections, on 22 and 28 August, was low, only 30 per cent of the coloureds and 20 per cent of the Indians registered to vote participating. The new arrangements make no provision for the black majority of the population to be represented at national level. Britain has made clear on a number of occasions that it was 'looking for progress towards constitutional arrangements acceptable to the people of South Africa as a whole' (see pp 410-11, 1983).

[2]In March 1984 four South African nationals were arrested and charged with offences under the Customs and Excise Management Act 1979. They were remanded on bail until 22 October. A member of the South African Embassy in London waived his diplomatic immunity in order to stand surety and the South African Government undertook to ensure that the four men would return to Britain for further court appearances.

The next day, Lady Young, Minister of State at the Foreign and Commonwealth Office, told the South African Ambassador in London that Britain deplored the decision to link the two cases and could not accept that there was any justification for doing so. The case of the four South Africans charged with arms embargo offences was 'primarily a case for the British courts'. The South African Government had given a clear undertaking to the court that the four would return to Britain, and Britain expected the South African Government to honour this. The situation at the Consulate, Lady Young said, was 'not of the British Government's choosing'. Britain's position remained that the six should not be required to leave against their will, but that there should be negotiations between the six and the South African Government so that conditions could be created whereby the six could leave the Consulate voluntarily.

On 6 October, two days before the Natal Supreme Court was due to pass judgment on the application by the six to have the detention notices which had been served against them withdrawn, three of the six left the Consulate voluntarily and were immediately re-arrested outside the building. The remaining three expressed their intention to stay on in the Consulate 'unless there was a dramatic change in the circumstances'. On 8 October the Supreme Court quashed the six's appeal and upheld the detention notices against them.

On the same day, the British Government informed the three, through their lawyers, that it believed that all that could be reasonably done had been done, and that it could not see what useful purpose was served by their remaining in the Consulate. A Foreign and Commonwealth Office spokesman said that Britain's position on eviction had not changed but that it had 'strongly advised the three that they should leave the Consulate' and hoped that they would do so as soon as possible.

Speaking on South African television on 9 October, Mr Botha defended South Africa's action over the four men charged with arms smuggling offences. It bordered on an insult, he said, for the British Government to expect South Africa to comply with its undertaking in respect of the four when Britain had persisted with its 'illegal action' in Durban in spite of a ruling by the full bench of the Natal Supreme Court. It was only Britain that had obstructed international law by its actions. South Africa's action had been justified by the international law of reprisal by one state against another for prior illegal action. It was totally unacceptable to expect the men to stand trial in Britain and thereby risk 'years in jail for breaking an arms embargo to help South Africa survive communist and terrorist attacks'.

On 22 October the four South African citizens failed to appear in court and the court accordingly ordered that all the bail, amounting to £400,000, be forfeited and issued warrants for the men's arrest.

Parliamentary Statement

In a statement to the House of Commons on 23 October (*Hansard*, Vol 65, No 207, cols 559-69),

Mr Malcolm Rifkind, Minister of State at the Foreign and Commonwealth Office, said he had that morning conveyed to South Africa's Ambassador the Government's 'strong condemnation of this breach of faith'. Britain now expected the South African Government not to impede the men's appearance in court.

Giving further details of the situation at the Consulate in Durban, Mr Rifkind said that various incidents had occurred there which had constituted 'clearly an abuse of the consular premises'. The three anti-apartheid campaigners had not given the assurance which had been sought that there would be no repetition of this behaviour, but on 18 October had issued, through their lawyers, a statement which contained various demands, some directed at the South African and some at the British Government, and which made it clear that they intended to continue their political activities if they could. It had become impossible for the Consulate – one of the smallest posts in Britain's Diplomatic Service – to carry out many of its functions in the circumstances created by the continued sit-in. These difficulties, added to the political activities of the three, had presented Britain with 'an unacceptable situation'. Britain had therefore decided that it could no longer allow the three to receive visitors, other than doctors when necessary, and that because of the growing difficulties, the work of the Consulate had now to be considerably reduced. 'We have also made clear that any disturbances caused by the activities of or arising from the presence of the three in the Consulate, or by others outside it, would cause us to review our position immediately.'

Aid to Ethiopia

Britain is taking urgent new measures to help alleviate the famine in Ethiopia and other African countries and has also helped to secure additional famine relief aid through the European Community. British voluntary organisations have raised several million pounds through appeals to the British public.

Public concern at the extent of the famine in Ethiopia grew after the problem received widespread television coverage in October. On 24 October, the Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, told the House of Commons (*Hansard*, Vol 65, No 208, cols 695-6) that the Government was pledging an extra £5 million for drought-affected areas in Africa, including Ethiopia, and 6,500 tonnes of food aid for people facing starvation in Ethiopia.

On 30 October, the Minister for Overseas Development, Mr Timothy Raison, told the House of Commons (*Hansard*, Vol 65, No 212, cols 1161-8) that Ethiopia had been informed that the additional 6,500 tonnes of grain would be shipped within the next few days, and ways had been discussed of speeding up the transport and distribution of supplies. The £5 million would be drawn on to provide dump trucks to help with unloading at the port of Assab, and Land Rovers and spare parts to help with distribution. Water drilling rigs and medical needs would also be supplied. A Royal Air Force (RAF) detachment of two Hercules aircraft and the appropriate support to undertake internal relief operations within the famine areas was to be made available for three months and two civil aircraft would be chartered to support the voluntary agencies in their work in Ethiopia. (The two RAF aircraft left for Ethiopia on 1 November and have commenced operations, while the two other aircraft chartered by the Government arrived in Ethiopia on 3 November with emergency supplies.)

On 25 October the Prime Minister, Mrs Margaret Thatcher, sent a message to the President of the European Council of Ministers urging new assistance to Ethiopia from the Community, and on 31 October the Community approved a £20 million package of assistance to drought-stricken countries in Africa, of which £9 million is for Ethiopia. Britain's share of the total is £4·5 million. Further proposals are under consideration.

In a message to the United Nations Secretary-General, Mr Pérez de Cuellar, on 6 November, Mrs Thatcher appealed urgently for a lead agency within the United Nations to be nominated to act as a focal point on which the international community would be able to rely for assessment of Ethiopia's needs, information on what other donors were doing and for monitoring the effectiveness of the relief operation, in order to alleviate the problems of distribution and of possible duplication of assistance.

Voluntary Funds

Following the television coverage of the famine, public response to appeals by the major British charities (Save the Children Fund, Oxfam, War on Want, Christian Aid, the Catholic Fund for Overseas Development and others) had raised between £5 million and £6 million by 8 November. This was additional to the £9·5 million already raised during the Famine in Africa Appeal from July to October, a substantial part of which is going to Ethiopia. Other private appeals, such as 'Send A Tonne to Africa', organised by British farmers, and donations by private businesses, have enabled further funds and relief supplies to be provided. Much of Britain's official bilateral food and disaster relief has been given in close co-operation with the voluntary agencies.

Existing Aid Programmes

British assistance to Ethiopia during the past two years has included bilateral food aid (40,000 tonnes) and disaster relief as well as food aid and emergency financial assistance from the European Community (Ethiopia being the largest single recipient of aid under the Lomé Convention). The total cost to Britain's aid programme has been nearly £13 million (£7·8 million through the European Community, £3·7 million bilateral food aid and £1·2 million disaster relief). The European Community has already allocated £26 million of humanitarian aid for Ethiopia this year, including 117,000 tonnes of cereals, 8,000 tonnes of other foods and assistance with transport, seeds and medicines.

Shorter Note

DEATH OF MRS GANDHI

The Prime Minister of India, Mrs Indira Gandhi, was assassinated on 31 October. On the same day, her son, Mr Rajiv Gandhi, was sworn in as Prime Minister after an informal Cabinet meeting. Mrs Gandhi's cremation in Delhi on 3 November was attended by world leaders including Britain's Prime Minister, Mrs Margaret Thatcher, the Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, and the leaders of the Labour, Liberal and Social Democratic parties, Mr Neil Kinnock, Mr David Steel and Dr David Owen. Her Royal Highness Princess Anne, visiting India at the time in her capacity as President of the Save the Children Fund, represented the Queen.

Paying tribute to Mrs Gandhi in the House of Commons on 31 October (*Hansard*, Vol 65, No 213, cols 1297-9), Mrs Thatcher said the murder had robbed India of a great and courageous leader who had led her country for 16 years as Prime Minister during a period which had seen India emerge as an industrial power as well as a major influence in world affairs. Her death had also robbed the Commonwealth of a leader of outstanding stature and experience, the loss of whose wise counsel and deep humanity would be deeply felt. Referring to the new Prime Minister, Mrs Thatcher said Britain knew Mr Rajiv Gandhi well, felt both affection and respect for him and wished him well at this difficult hour in his country's history. She concluded: 'The murder of a democratic leader is an attack on democracy itself. We utterly condemn this savage and treacherous crime. Let there be no doubt that acts of terrorism will only strengthen the resolve of free peoples that those who resort to violence shall not prevail.'

Expressing his sympathies to the family of Mrs Gandhi and his good wishes to the new Prime Minister, Mr Kinnock said that the principles that had guided Mrs Gandhi had been devotion to the maintenance of parliamentary democracy and determination to produce tolerance and common purpose out of the diversity and distinctiveness of the peoples of India. But her attention to the dominant issues of her time had gone far beyond India's boundaries: she had been a co-founder of the Movement of Non-Aligned Countries and a wise and courageous advocate of political dialogue between North and South, East and West.

ECONOMIC AND SCIENTIFIC AFFAIRS

Chancellor's Mansion House Speech

The Government's commitment to change and competition in financial institutions was outlined by the Chancellor of the Exchequer, Mr Nigel Lawson, in his speech at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House on 18 October. The Chancellor also stressed that there would be no weakening of the financial discipline necessary to contain inflation, while supply-side policies would continue to be used in the fight against unemployment, to which the Government had always attached a high priority.

The City of London

The Chancellor, looking back at developments over the past year, said that the City of London was arriving at a set of arrangements which had evolved by a natural – if accelerated – process of development. It had not been imposed by the Government, whose role had merely been to remove obstacles. Mr Lawson was in no doubt that City institutions as a whole – whether financial conglomerates or specialised bodies – would be strengthened.

To be internationally competitive, the City had to maintain the confidence of investors. Government proposals for a new regulatory framework for the City (see pp 166-7) had sought to strike a balance between the freedom of financial institutions to innovate and compete and the right of their customers to an adequate degree of protection. The Chancellor expressed confidence that the arrangements would ensure that the high standards of the best practitioners in the City were maintained – and with a minimum of bureaucratic supervision.

Given the Government's firm commitment to spreading share ownership more widely, the protection of investors was all the more important. The privatisation programme (see pp 306-8) had played an important part in bringing about a marked increase in the number of workers owning shares in their companies. Individual investment should also be helped by some of the reforms in the last Budget – for example, the halving of the rate of stamp duty and the abolition of the investment income surcharge (see p 123). The privatisation of British Telecom, planned for November (see p 181), should take the Government's policy of wider share ownership an important stage further.

The mechanism that the Government had chosen for investor protection was self-regulation within a statutory framework. Self-regulation was favoured because those needing to observe certain standards – the practitioners themselves – were best placed to regulate in a rapidly changing world; a statutory framework was chosen because the regulators needed real powers in order to be effective.

There were three areas in which the Government had a particularly close interest in the forces of change and competition.

First, now that the consultation period on the building societies Green Paper (see pp 414-16) was over, the Government would be working out firm legislative proposals in the months ahead. The Government proposed to give the societies powers to diversify their activities relating to financial and housing services. Even if only some societies chose to use these powers, the result could only be more efficient and competitive markets with a better choice for the consumer.

Secondly, Mr Lawson expressed optimism that the Government would be able to bring forward legislation at an early date to enable the Trustee Savings Banks to complete the process of conversion into normal private sector commercial banks.

Thirdly, with regard to the market in government securities, the Government had resisted the temptation to use its dominant position to determine the structure of interest rates to suit itself. The Government's concern was not confined to selling its own stock but extended to the wider health of the City as a centre of profitable international business and an efficient source of finance for British industry. But an active and innovative market in government securities – with appropriate recognition of its special characteristics – was essential. The Chancellor said he was confident that the proposals shortly to be published by the Bank of England (see p 424) would complement The Stock Exchange's own proposals and help to achieve that objective.

Economic Policy

Over the past year, despite the turbulence of the world economy and industrial troubles in Britain, there had been no change in the Government's policy of defeating inflation by a steady reduction in the rate of monetary growth assisted by pressure to reduce public borrowing in the medium

term. Nor had there been any change in the objective of creating the conditions for sustainable non-inflationary growth. The annual rate of inflation was below 5 per cent and could be expected to fall progressively as monetary growth continued to decline over the years ahead. There had not been a resurgence of inflation during the present recovery – rather the reverse. The growth of the economy (which had resumed in 1981) was now leading to the creation of many jobs; the number of people in work had risen by 250,000 over the past year.

Those who argued that the Government should switch its emphasis from the fight against inflation to the fight against unemployment were labouring under a misconception. The Government had always given a high priority to dealing with unemployment. One reason why it had so vigorously pursued policies to combat inflation was because of the destructive effect of inflation on jobs. The recent rise in unemployment was, to some extent, the temporary consequence of the long overdue success of manufacturing industry in making itself more competitive by cutting costs and improving productivity. That apart, the battle against unemployment would be joined not by the injection of additional monetary demand – which would lead only to a resurgence of inflation – but by the Government's long-standing policy of improving the supply side of the economy. There could clearly be no conflict between pursuing such supply-side policies and maintaining the financial disicipline necessary to reduce inflation further. 'That is why it makes no sense to say that the Government has switched or should switch its priorities.'

The great bulk of the public sector borrowing requirement for 1984-85 (see p 127) had already occurred and had been successfully funded. Mr Lawson therefore expressed confidence that the growth of sterling M3 (notes and coin in circulation and British residents' sterling bank deposits) would, for the third successive year, remain within its target range. He also felt that the narrow monetary measure, M0 (notes and coin in circulation and bankers' operational deposits with the Bank of England) would be within the target range (see p 125).

Interest Rates

The Chancellor went on to spell out the Government's policy on short-term interest rates. The system introduced in 1981 (see p 97, 1981) was designed to increase market influences on rates. The Government felt that this would eventually lead to a quicker and smoother adjustment of rates than would be achieved if they were administered in the same way as minimum lending rate had been. The sharp rise in interest rates in July had occurred at a time of anxiety as to whether monetary policy was on the right lines. This had combined with industrial disputes and a misplaced preoccupation with the sterling-dollar exchange rate to put massive upward pressure on interest rates in the money markets. This pressure could have been resisted only by a temporary injection of cash into the monetary system which, had the Government undertaken it, might have led to dangerous doubts about its anti-inflationary strategy. However, when market worries over the domestic monetary situation had been proved to be without foundation, interest rates had quickly fallen – though, with continuing industrial trouble, they remained above their pre-July levels. Their relative steadiness during a further period of increasing dollar strength suggested that markets were adopting a more balanced view of financial developments. In particular, markets had come to recognise that monetary indicators were of central relevance in judging monetary conditions and determining interest rates. Government policy had been to take the exchange rate into account when its behaviour suggested that domestic monetary indicators were giving a false reading – which, at present, they were not. Provided that monetary conditions were kept under firm control, excessive movements – whether in the money or the foreign exchange markets in response to outside influences – would tend to correct themselves relatively quickly. The position was underpinned by the fact that monetary growth over the past year was well within the target ranges.

Public Expenditure

The Government had to continue to resist the long-term pressures for additional expenditure which were set out in the Green Paper published at the time of the last Budget (see pp 127-9). This was a matter for political will buttressed by an improved system of control of public expenditure. 'This is the only route to lower taxes, leading to further increases in efficiency, output and employment for the whole economy.'

Conclusion

The Chancellor saw few signs of a downturn in the British economy despite a likely slowing in the pace of recovery in the United States. 'So I look forward to next year with confidence. I see a further good year for output in 1985 with a balanced contribution to demand from consumption, investment and exports alike. The sustainable growth and low inflation . . . should continue.'

Tax Reform

The Government's achievements in tax reform since 1979 were outlined by the Financial Secretary to the Treasury, Mr John Moore, in a speech to the Economic Research Council in London on 30 October. Progress had been made in improving personal incentives, shifting the burden of tax from income to spending, reducing economic distortions and making the system easier to understand. Future objectives included a further raising of income tax thresholds, a simplification of capital gains tax and a withdrawal of outdated reliefs.

Tax and the Government's Economic Strategy

Mr Moore explained that adequate tax revenues were made possible only by the creation of income

and wealth. If the tax system weighed so heavily that it smothered economic activity, it became self-defeating.

In keeping with its libertarianism, Mr Moore said, the Government wanted taxes to be as low as possible so that people could choose for themselves how to spend and how to save. Lower taxes encouraged initiative and risk-taking because success would be rewarded. Tax reform was part of a long-term programme to stimulate the economy by releasing market forces, thereby removing distortions and improving the allocation of resources, and was a component of the Government's supply-side approach to economic policy. Improved resource allocation meant increased output because the factors of production – capital and labour – were performing at higher levels of efficiency. Supply-side economics embraced other areas of policy apart from tax – for example, privatisation (see pp 306-8); the abolition of controls on foreign exchange transactions (see p 162, 1980), hire purchase (see p 274, 1982) and bank lending (see p 113, 1980); and measures to reduce rigidities in the housing and labour markets.

The Government had made a start on tax reform in 1979 (see p 191, 1979) but its room for manoeuvre had been very limited. Price and wage inflation were at high levels, the world economy was about to enter a very deep recession, public expenditure was proving difficult to bring under control and the public sector borrowing requirement was at an unacceptably high level if monetary growth and inflation were to be restrained.

Now, however, the economy was on a much sounder footing. High inflation had been defeated while output had been growing steadily for two to three years. The combination of low inflation and steady growth over the previous two years had not been experienced since the 1960s. With monetary growth and government borrowing now under control, there was the opportunity to consider afresh the basic purpose of the tax system. Indeed, tax reform had been a central element in the last Budget (see p 121).

The Government's Tax Objectives

There were four main objectives of tax reform.

First, the Government wanted to reduce the total tax burden on both incomes and savings. This would provide greater rewards for work, enterprise and risk-taking.

Secondly, in order to improve choice and give people more of their own money to spend, the Government was seeking to reduce the tax burden on income and increase that on spending.

Thirdly, the Government wanted a more broadly based tax system. With a reduction in the number of exemptions and special reliefs, it could achieve the double advantage of lower rates and fewer tax-induced distortions. The more market-oriented the economic system became and the less distorted it was by tax considerations, the more efficiently would resouces be allocated. This, however, remained only a general guiding principle and did not rule out all exemptions and reliefs. 'But . . . departures from the neutrality concept must always carry a cost: each exemption or relief increases the marginal and average rate of tax elsewhere in the economy and increases tax-based distortions.'

Fourthly, the Government was aiming to make the tax system both simpler to understand and easier to administer. As well as yielding obvious benefits for resource allocation, a simpler system would reduce the costs of compliance and collection.

The Government's Tax Achievements

Mr Moore spelt out the Government's achievements in tax reform, which were in four main areas.

First, it had made good progress in improving personal incentives. It had raised the married man's allowance to its highest level in real terms since 1945 (see p 124) and had reduced marginal rates for nearly everyone. Measures that had contributed to the lower tax burden were: a 16 per cent real increase in income tax thresholds; a reduction in the highest marginal rate of income tax to 60 per cent; and a cut in the basic rate from 33 per cent to 30 per cent (see p 197, 1979).

Incentives to work and save had also been improved by the abolition of the investment income surcharge (see p 123). The tax burden on estates, especially the small and medium-sized, had been reduced by the cut in the top rates of capital transfer tax, increases in thresholds and statutory indexation (see p 122) while the introduction of improved share option schemes would enable companies to reward success (see p 123).

Mr Moore said that the Government's achievements in tax reform had been denigrated by critics who considered the combined burden on employees of their taxes as well as their National Insurance contributions. However, he felt that this was not an appropriate measure of the burden of direct taxation as it ignored the rights to benefits inherent in the payment of these contributions.

Secondly, the Government had succeeded in shifting the burden of personal taxation from income to spending (see p 191, 1979). There had also, as part of a concerted policy to remove distortions which discouraged people from taking workers on, been a reduction in the proportion of revenue raised from payroll-related payments by employers. The shift had been fairly sizeable. Between 1978-79 and 1983-84 the proportion of total tax and National Insurance contributions accounted for by income tax had fallen from 32·5 per cent to 27 per cent while that accounted for by taxes on final spending had risen from 27·5 per cent to 30 per cent. Over the same period, employers' National Insurance contributions and the National Insurance surcharge had fallen from 14 per cent of total tax and National Insurance receipts to 10·5 per cent; the proportion was expected to fall to below 10 per cent in 1984-85 with the abolition of the surcharge (see p 122). 'Directly reducing employers' labour costs in this way provides a real impetus to job creation.'

Thirdly, the Government had taken important steps to broaden the tax base and eliminate or reduce reliefs and concessions. The last Budget had included a number of examples, such as the withdrawal of relief on life assurance premiums

(see p 123). These changes would reduce distortions which had discouraged individual savers from investing directly and had fostered the growth of financial markets. They should also assist structural changes to take place in the financial sector as different institutions expanded their range of operations and competed more closely. A further move in the same direction was the proposal to tax interest on bank deposit accounts at a composite rate as already applied to building society deposits (see p 123).

The most important reforms in this area, however, related to business taxation. These involved (see p 122): the phased reduction in the main rate of corporation tax from 52 per cent to 35 per cent by 1986-87 with an immediate cut in the small companies' rate from 38 per cent to 30 per cent; a gradual withdrawal both of first-year capital allowances on plant and machinery and of initial allowances on industrial buildings; the abolition of tax relief on the inflationary rise in the value of stocks; and the ending of the National Insurance surcharge. The changes in corporation tax would reduce the tax impact on profits, lower the tax subsidy on certain types of investment and lessen the major distortions which acted as an incentive to wasteful investment, favouring capital at the expense of labour. In future, more investment would be undertaken because it was truly profitable and productive and not because a tax subsidy made it so. The average yield of the nation's capital stock should therefore improve with the substitution of low-yielding investments by higher-yielding ones. The penalty against non-capital business expenditure or the employment of more skilled labour could, Mr Moore said, be just as effective in improving competitiveness as installing a new machine. The changes also removed the bias against risk-taking that resulted indirectly from the current discrimination in favour of borrowing rather than equity funding.

Finally, the reforms introduced since 1979 had enabled the Government to make some progress in simplifying the tax system and in bringing about manpower savings. There was, of course, a long way to go, with some areas of work – for example, that on enforcement powers following the work of the Keith Committee (see p 145, 1983, and p 71) – being perhaps of more immediate priority.

Future Goals

The Government's tax achievements had been carried out against a background of a total tax burden that had been rising until recently. Although the burden was more sensibly distributed than previously, it was still too high. In particular, Mr Moore said he would like to see further cuts in income tax.

Reducing the burden would not be easy. Although taxes and National Insurance contributions as a proportion of gross domestic product had fallen slightly from their peak of 39·5 per cent in 1981-82, the figure was still above the levels of the early 1970s (30 to 35 per cent) let alone the mid-1960s (25 to 30 per cent). The speed with which the tax burden could be reduced would depend crucially on the Government's ability to control public expenditure. If the Government was successful in the latter and the economy performed as assumed in the last medium-term financial strategy (see pp 124-6), then there might be scope for tax reductions. When finance became available the priorities would include further raising of personal income tax thresholds, simplification of the capital gains tax regime and removal of those exemptions and reliefs which no longer served an economic or social purpose.

Mr Moore concluded with a reference to the Chancellor's statement in the last Budget that he was setting a course for Parliament that would involve a programme of tax reforms designed to stimulate enterprise, enable the economy to work better and create the conditions in which jobs could be generated. 'I believe the Government's economic policies will continue to keep inflation under control and provide the basis for sustainable economic growth. These are the conditions that we require to continue with our policies of reforming and simplifying the tax system.'

Monetary Policy

The need for the Bank of England to monitor monetary indicators, as provided for in the Government's financial strategy, was explained by the Governor of the Bank, Mr Robin Leigh-Pemberton, in a speech at the University of Kent at Canterbury on 26 October. Other variables, such as nominal income and the exchange rate, would also be observed but would not normally be controlled directly. The Governor defended the practice of overfunding as a means of influencing the demand for credit and hence the money supply.

Final Objectives of Monetary Policy

The final objectives of monetary policy, the Governor felt, could be considered on two levels.

At the simpler level, the essential concern was price stability as an end in itself. In an inflationary world this amounted to the containment and ultimate elimination of inflation.

At the more profound level, monetary policy was concerned with price stability as a means to an end – that of a strong and growing economy. This was essential if a country was to have any chance of satisfying aspirations such as higher levels of employment and standards of living. Mr Leigh-Pemberton said that the view – widely held until about a decade ago – that there was a fundamental conflict between the objective of price stability, on the one hand, and that of growth and full employment on the other, remained true only in the short run, at most. In anything but the short run these objectives were complementary, and the Governor suggested 'a general recognition of the need for a stable monetary framework if enterprise and employment are to flourish'. Price instability introduced elements of uncertainty which interfered with the allocation of resources and confused market signals. For example, it became more difficult to

identify changing relative prices. 'There are, indeed, a whole series of arguments to show why price instability in general, and inflation in particular, is inimical to growth.'

Intermediate Objectives of Monetary Policy

The aim of the Government's medium-term financial strategy (see p 113, 1980) was to bring inflation down while providing scope in the longer term for sustainable growth. The paths for prices and output were not independently specified (though illustrative figures were offered) as the strategy set out a course for the evolution of nominal income.

The strategy raised two key questions: first, the extent to which the operation of the system should be mechanical rather than discretionary; and, secondly, the case, if any, for alternative intermediate targets.

With regard to the degree of discretion, the Governor pointed out that monetary targets had been adopted in the belief that there would be a reasonably stable and predictable relationship between monetary variables and nominal income – the velocity of circulation of money. However, 'the hopes of those who looked for a simple, close and reliable relationship, that would hold even in the short term, have not been fulfilled'. Nevertheless, Mr Leigh-Pemberton was of the opinion that, within reasonable bounds, short-term shifts in the relationship did not impair the usefulness of monetary targets provided that the longer-run relationship between monetary growth and inflation held. The variability in short-run monetary relationships meant that monetary targets had to be operated pragmatically, although the Governor was not advocating a purely discretionary policy.

On the subject of other intermediate targets, he assured his audience that the authorities took account of all the monetary indicators as well as interest rates, nominal income and the exchange rate.

Mr Leigh-Pemberton explained that, as monetary targets were linked to nominal income, it had been suggested that the latter should be controlled directly. He rejected this on the grounds that delays could arise both between changes in nominal income and the availability of data and between policy changes and changes in nominal income. Monetary targets, the Governor felt, did not suffer from the first type of delay and only to a lesser extent from the second.

Mr Leigh-Pemberton stressed 'without qualification that we do not have an exchange-rate target'. But this was not to say that the authorities were unconcerned at movements in the exchange rate. They were – because there were times when these movements revealed something about domestic monetary conditions. He went on to make two technical points: first, an exchange-rate objective would make it necessary to consider its implications for the conduct of domestic monetary policy and the degree to which conflicts between the two could arise; secondly, the policy instruments used in pursuit of an exchange-rate objective might not be adequate given the large size of international capital flows.

Implementation of Monetary Policy

The Governor went on to discuss two aspects of monetary policy that were central to the Bank's activities: operations in the money market and operations in the market for government securities (the 'gilt-edged market') – the financial markets concerned with short- and long-term interest rates respectively. He explained that, in its market operations, the Bank faced 'enormously powerful influences' and that, in the last resort, it could not impose its view in the face of strong market conviction. This was all to the good; market pressures could be an important corrective against any bias to delay on the part of the Bank in taking necessary action.

The Money Market

Mr Leigh-Pemberton was of the view that increased interest rates would restrain the demand for credit in anything but the very short term. The time horizon was crucial because it was the apparently weak short-term response of private sector demand for credit to changes in interest rates that had constituted a major problem for the conduct of monetary policy. However, he was hopeful that the increase in borrowing in relation to income following the removal of controls on lending to the private sector would lead to greater sensitivity of bank lending to changes in interest rates.

The Gilt-edged Market

The Governor's main concern in his discussion of the gilt-edged market was a defence of 'overfunding'. Under this practice, the monetary authorities sell a greater quantity of gilt-edged securities outside the banking system than is needed to cover the borrowing requirement. The excess cash so raised is used to repurchase public sector debt from the banks. This enables the authorities to curb any tendency of the banks to contribute to an excessive growth of the money supply by creating credit on the basis of their holdings of gilt-edged securities.

The need for overfunding, Mr Leigh-Pemberton explained, would be lessened if the private sector increased its resort to the capital markets as a source of finance and reduced its dependence on the banks. There were some signs of a recovery in these markets; net new issues by British companies in 1983 were easily a record and a healthy flow of issues had been maintained so far in 1984.

Building Societies

Government plans to allow building societies to offer a broader range of services while maintaining their traditional functions of providing a secure personal savings service and making loans to home buyers have met with support, the Economic Secretary to the Treasury, Mr Ian Stewart, explained in a speech to

the Westminster and City Programmes Seminar on 25 October.

Introduction

The Government hoped, Mr Stewart said, to introduce legislation based on proposals set out in the recently published Green Paper[1] on the future of building societies (see pp 316-18) during 1985-86. Comments on the paper had been received from a wide range of individuals and institutions from both inside and outside the building society movement, all of which would receive consideration. The breadth of the response illustrated the importance of building societies and the very wide implications of changing the laws under which they operated.

General Framework

The response towards the proposed limits on particular classes of assets and liabilities, the main elements giving substance to the overall framework outlined in the Green Paper, had been generally favourable. However, many in the building society movement had argued that the provisions stipulating that at least 90 per cent of commercial assets should be in the form of first mortgages on residential property (Class 1 assets) ought to be extended to include, for example, mortgages on retirement homes, holiday homes, corner shops and other part-business premises, and other forms of residential property. While the Government was prepared to consider this point, Mr Stewart reminded his audience of the importance of maintaining a relatively narrow definition of Class 1 so that there was a clearly identified body of assets that was both traditional and low-risk.

The Government had tried to retain a single general framework for societies which incorporated clear limits and unambiguous guidelines for operation. As a result, societies would be able to function for some time under a rather less intensive form of supervision than that at present applied to banks and licensed deposit-takers. It was possible, nevertheless, that as the societies evolved, their system of supervision would require modification so that banks and building societies might ultimately be subject to the same supervisory authority.

Prudential Supervision

The necessity for overhauling the prudential supervision of building societies had been widely acknowledged. Mr Stewart stressed that the Government had not been trying to introduce unnecessary regulation but, as building societies had become major financial institutions, this ought to be reflected in their supervision; the public expected high standards of care from those entrusted with its money.

The suggested new scope for lending would require societies to develop new criteria for managing risk; before embarking on new and higher-risk activities they would have to acquire the appropriate management skills and experience. A paper discussing general principles in this area should be available by the end of 1984, to be followed by more detailed papers on specific topics such as liquidity and capital adequacy.

Strong support had been expressed for the proposal that there should be a statutory scheme for the protection of investors in building societies. The building society movement had, however, argued for a scheme which offered the same level of protection as the present non-statutory scheme, rather than a statutory one based on the Banking Act 1979 (see pp 326-7, 1978). While the Government would take note of this, it had to consider whether it was appropriate for legislation to lay down one set of standards for building societies and another for banks.

Functions and Schemes

The question of providing services related to house purchase had given rise to considerable interest and comment; it was generally felt that greater competition and a more integrated service would be beneficial, so long as this could be achieved without creating new and unacceptable problems. The major worry concerned the possible emergence of conflicts of interest if, for example, societies were to undertake estate agency as well as their traditional functions. The Government would have to consider, case by case, whether conflicts of interest were fundamental or whether they could be readily resolved through, for instance, separation of capacity, disclosure or codes of conduct. In addition, it would need to take steps to ensure that societies which extended their range of services did not abuse their favourable position in the market by acting unfairly in their dealings with customers and competitors.

The proposals for giving societies the freedom to offer full money transmission services and to provide services on an agency basis for others had attracted support, while the prospect of societies carrying out insurance broking and offering more general financial services (such as share dealing facilities) had aroused both positive and negative feelings.

European Operations

Mr Stewart said that the societies worked in an environment where national borders counted for less than they had done previously. Because of the Government's strong commitment to a common market in financial services in Europe (see pp 265-6), it was sympathetic to the idea of building societies expanding their operations outside Britain.

Interest Rates

Societies wishing to devise or perpetuate interest-rate agreements would, after the planned withdrawal of the exemption from restrictive trade practices legislation of such agreements, have to demonstrate that they were in the public interest. Serious thought should be given in the transitional period leading up to the new regime to the increasing competitiveness in the market, the greater volatility of interest rates, and the traditional interval between decisions by building societies on interest rates and their implementation. Under the proposed new arrangements, individual

[1] *Building Societies: A New Framework*. Cmnd 9316. HMSO, £4·85. ISBN 0 10 193160 3.

societies would have to decide themselves when and by how much to change interest rates in the light of market conditions and the state of their businesses.

British Construction Overseas

British firms associated with construction had net overseas earnings of an estimated £635 million in 1983-84. This was made up of £115 million contributed by building and civil engineering contractors, £550 million by consulting engineers, £305 million from process engineering contractors and £100 million from architects and surveyors, with construction of plant and machinery exports adding another £335 million. Although exports of building materials reached record levels in 1983-84, imports exceeded exports by nearly £770 million.

This article, describing overseas building and civil engineering in 1983-84 and giving details of a number of major contracts, is based on an article contributed by the Department of the Environment to *British business* for 26 October. An article on the overseas work of consulting engineers and architects appeared in the September issue of *Survey of Current Affairs* (see pp 354-5).

Value of Overseas Work 1983-84

British building and civil engineering contractors won new overseas orders worth about £2,451 million in 1983-84, and the value of work completed (£2,381 million) was above previous levels (see table). The value of work outstanding at the end of March 1984 was £3,387 million.

The figures for 1982-83 and onward are not directly comparable with those for previous years owing to changes in the way that the Department of the Environment conducts its survey.

Large firms with established expertise overseas continued to secure the biggest contracts. The top eight firms were responsible for about three-quarters (by value) of construction activity overseas by British firms, measured by work completed at the end of March 1984. The top 20 firms accounted for 86 per cent of new orders won, 90 per cent of work completed and about 96 per cent of work outstanding.

Africa and the Middle East continued to be important sources of new orders for British builders and civil engineers in 1983-84, while new orders won in the Americas rose from £463 million in 1982-83 to £705 million in 1983-84.

The Middle East remained the region where the greatest proportion of work was carried out, followed by Africa and the Americas.

The Middle East (in Asia)

Bovis International has won a £200 million contract to build an international stadium complex near Riyadh in Saudi Arabia in a joint venture with West German contractor Phillip Hotzmann. The contract calls for the complex to be completed in three years; the joint venture will then take on a one-year maintenance agreement. The project will involve construction of a 70,000-seat stadium, practice hall, athletics track and a substantial number of associated facilities on a site about 35 km (22 miles) east of Riyadh. Plans for the project were prepared in the mid-1970s by the British architects Ian Fraser, John Roberts and Partners. Bovis has won a number of orders in Saudi Arabia recently, including the provision of management services to local firms on projects worth over £190 million.

George Wimpey International has announced the receipt of a letter of intent for a £147 million hospital contract from the Ministry of Health in Oman. The project involves the design, construction and equipping of a 500-bed district general hospital, together with staff accommodation in Muscat. The hospital will contain general medical and surgical wards, maternity and children's wards, a special baby care unit, an isolation unit and extensive facilities for accidents, emergencies and outpatients. Among the range of services is a postgraduate education centre, complete with its own library, lecture theatre and exhibition area. The complex is to be built as a two- and three-storey split-level building to suit the contours of the gently sloping rocky site. Design, construction and installation of all medical and other ancillary equipment is scheduled for completion in three and a half years. The project is a part of the Oman Government's health care plan prepared by the Percy Thomas Partnership with supervision by Britain's Department of Health and Social Security and its Omani counterpart.

Another Wimpey contract in the Middle East is for a cement plant in the United Arab Emirates. The civil works for a white cement plant at Ras Al Khaimah are to be constructed by an associate company, Al Wimpey Civil Engineering Ras Al Khaimah for the Hitachi Zosen Corporation. Work on the plant, which will be able to produce 300,000 tonnes of cement annually, started in October 1983 and is scheduled for completion in early 1985. The contract is valued at £6·5 million.

Taylor Woodrow International has won a contract for work on a microwave radar installation in Saudi Arabia; the contract is likely to be worth about £100 million. The award is a subcontract from Cable and Wireless which secured an order valued at £200 million. Known as Sangcom (Saudi Arabian National Guard Communications) the radar project will have both defence and domestic uses; advice on its use has been provided by Britain's Ministry of Defence. Radar installations will be at locations scattered throughout Saudi Arabia and will include transmitters, troposcatters, technicians' training schools, accommodation, oil storage facilities and other infrastructure.

The £100 million William Press contract for construction of the Cairo natural gas distribution and conversion project has now been expanded to cover further eastern areas of the city. First announced in 1979, the initial contract with Petrogas – a subsidiary of the Egyptian General Petroleum Corporation – was for supplying some 160,000 domestic customers in the four Cairo townships of Helwan, Maadi, Nazr City and Helio-

Construction Work Overseas*
Years ended 31 March

£ million (current prices)

Area	Value of contracts obtained		Value of work done		Value of work outstanding	
	1982-83	1983-84†	1982-83	1983-84†	1982-83	1983-84†
European Community	20	7	24	21	15	9
Rest of Europe	37	49	80	58	76	65
Middle East in Asia	765	709	669	675	828	854
Middle East in Africa	24	109	62	66	80	117
Rest of Asia	367	204	264	306	455	351
Rest of Africa	841	476	524	569	859	749
The Americas	463	705	436	469	799	1,065
Oceania	263	192	255	217	205	177
All countries	2,780	2,451	2,314	2,381	3,317	3,387

*The figures for 1982-83 and onward are not directly comparable with those for previous years. †Provisional.
Differences between totals and the sum of their component parts are due to rounding.

polis. The customers, currently using bottled gas, were to be linked to a new natural gas distribution system. A further 20,000 dwellings to the east of the Nile have now been added to the project, and overall completion is scheduled for late 1984. The contract is the first of its kind in which a single contractor has been employed for all construction duties, from laying the high-pressure transmission and distribution pipelines to services and installations, including the conversion of domestic appliances. The British Gas Corporation is acting as consultant on the project. Designed for expansion, the system has a distribution network capable of serving 360,000 customers, with a transmission pipeline able to meet the requirements of 640,000. The project has involved the installation of more than 55,000 m (180,000 ft) of large-bore transmission pipework, 1,000 km (621 miles) of buried distribution pipes, and 200 km (124 miles) of piping in properties. The gas supply comes from an onshore gasfield at Abu el Gharadig, 250 km (155 miles) west of Cairo.

Also in Egypt, Casco Construction has won a £3·2 million award to build a detergent production plant at Sadat City for a consortium of Kuwaiti and Egyptian businessmen.

In 1983 the power transmission division of Balfour Beatty was awarded a contract from the Jordan Electricity Authority for the design, the supply of the steelwork and the construction of a 400-kV double circuit transmission line from Aqaba to Amman, a distance of 322 km (200 miles). The value of the contract is approximately £19 million and includes fabricating and galvanising some 18,000 tonnes of structural steelwork which will be undertaken by Painter Brothers of Hereford, also part of the Balfour Beatty group. Completion of the project is scheduled for the end of May 1986.

Stent Foundations, part of the Balfour Beatty group, has secured two contracts in Dubai for installing bored piling using direct mud circulation techniques. One is for piling for a multi-storey car-park for Dubai municipality and the other for 300 piles for a commercial and residential development for Obaid Humaid Al Tayer. In Abu Dhabi the company has begun piling for another section of the transport and road improvement programme, its sixth contract on the scheme. The client is Abu Dhabi municipality. In Qatar, the firm has started work on piling valued at £500,000 for the Qatar National Cement Company headquarters and a commercial development for Sheikh Hamad Bin Khalid. In Bahrain a major piling contract has been obtained from Karime-Fysko J.V. for an office block in Juffair.

Cable Belt, the British mining equipment company, is to build an overland conveyor for carrying potash from Sedom on the Dead Sea through the wildest part of Israel's Negev desert. The Dead Sea Chemical Works is understood to have awarded the contract, estimated to be worth about £20 million, after five years of negotiations with rival British, South African and United States concerns. The 18-km (11-mile) conveyor, said to be the longest in Asia, will climb 915 m (3,000 ft) from the lowest point on the earth's surface, to deliver 2 million tonnes of potash a year to the railhead near Dimona. Cable Belt's conveyor will present severe engineering problems since its route crosses deep ravines and wadis and two escarpments, each 180 m (600 ft) high. The company has won similar projects in the Americas, Africa, Australia and India. It specialises in an unconventional system, separating the carrying job of the belt from the means of driving it.

Unicon (W.L.L.), the Bahrain construction company which is managed by John Howard and Company, the Chatham-based group of international civil engineering companies, has been awarded a contract in the port of Mina Sulman, Bahrain. The contract, valued at approximately £8·25 million, involves the extension of container terminal facilities. The works will be carried out for the Ministry of Works, Power and Water, whose consultants are Rendel, Palmer and Tritton.

Costain International won its third Queen's award for export achievement in 1984. As part of that effort the company won a major contract, worth £88 million, from the Omani Ministry of Defence. Elsewhere in the Middle East, Costain International has projects including construction of maintenance facilities at Mina Sulman naval base in Bahrain, the fitting out of a commercial bank also in Bahrain, and a recently completed 16-storey office complex in Abu Dhabi. In Oman contracts were completed at the cement plant and Ibri camp.

In a £5 million contract Merrol Fire Protection Engineers has designed and installed totally integrated fire and gas detection and protection systems on three offshore production platforms and Halul Island terminal for Qatar General Petroleum Corporation.

Africa

A new contract initially worth about £10 million was awarded to Sir Alfred McAlpine (Botswana) by the Botswana Department of Civil Aviation for a new airport at Gaborone. It involved the construction of the main runway, taxiways and parking areas; crash, fire rescue and perimeter roads including security fencing; and fire mains, drainage and civil works associated with the telecommunications system. The new airport, with its main concrete runway 45 m (150 ft) wide and 3 km (1·9 miles) long, can handle large international jet aircraft.

A contract from the Botswana Power Corporation worth about £15 million won by Sir Alfred McAlpine is for the civil engineering and building works for the powerhouse, coal and ash handling, workshops and stores.

The telecommunications projects unit of Balfour Beatty Power Construction Limited (BBPCL) has been awarded a £7·5 million contract for the supply, installation and commissioning of a microwave radio system for the Ministry of Posts and Telecommunications in Cameroon. Access roads, power and equipment buildings, structures and other civil works are required on most sites, and comprehensive training both in Cameroon and in Britain for local engineers and technicians is incorporated in the project. The contract is due for completion by 1986. This is BBPCL's second major telecommunications project in Cameroon, and provides additional telephone channels for the south-west province; it will make easier the distribution of the video signal for the television service beginning in the near future.

Kier International, a member of the French Kier group, has been awarded the civil and engineering building works contracts, valued at £23 million, for the new Maseru international airport. This 26-month project for the Government of Lesotho includes the construction of 4,300 m (14,000 ft) of runways and taxiways, aprons, roads, car-parks and drainage works, as well as the building of seven main airport structures and an aircraft maintenance hangar with a total floor area of 9,000 sq m (97,000 sq ft).

Stirling International has obtained an £11·5 million contract awarded by the Department of Works and Supplies for construction of the Lirangwe-Mwanaza-Mozambique border road in Malawi. Work starts soon on the 79-km (50-mile) project and involves construction of 51 km (32 miles) of road on a new alignment and improvements to the remainder of the route. Also involved are six bridges including the Shire river bridge which is to have a main span of 70 m (230 ft).

Bovis International has been appointed by the Société de Promotion et de Gestion Immobilière as managing contractor for the construction of a £7 million, nine-storey block in Brazzaville, the capital of the People's Republic of the Congo. The building, constructed on a raft foundation, is of reinforced concrete with load-bearing reinforced concrete panels clad externally with ceramic tiles. Office space and retail shops are provided at ground floor level with the upper floors comprising 36 luxury apartments, each offering 150 sq m (1,600 sq ft) of accommodation. The contract, when completed, will probably be the tallest building in Brazzaville.

Mowlem International has been awarded a £5 million contract by the Government of Uganda for the reinstatement of the central streets of Kampala. The work will be carried out over a period of two years and comprises approximately 30 km (19 miles) of road, some of which is dual carriageway. A new section of road is also to be constructed which will allow heavy transit vehicles to bypass the city centre.

Rest of the World

Kier International won a £16 million contract from the Hong Kong Government. This project, lasting about three and a half years, comprises the excavation of 5 million cubic m (177 million cubic ft) of material from Wan Tsai, using rock and boulder for seawall construction and the soft material as fill for the reclamation of 61 hectares (150 acres) in the Ma On Shan area. The excavated material will be transported 16 km (10 miles) from Wan Tsai to Ma On Shan by barge. The contract includes all drainage works. Maunsell Consultants Asia are the consulting engineers.

Also in Hong Kong a government contract worth over £7 million was awarded to Henry Boot for railway construction work. This project is split into various parts the largest of which, valued at £3·25 million, calls for the construction of a transport interchange at Mongkok station on the Kowloon to Canton railway. Original plans were by Maunsell Consultants Asia with alternative design work by Tony Gee and Partners (Far East).

After negotiations lasting for ten months between the Indonesian Government and an Anglo-Swedish consortium including Balfour Beatty, a contract was secured in March 1984 to save the cancelled multi-million pound Mrica hydroelectric project, in central Java. Work on the 180 MW project, worth £240 million, is to resume as soon as possible. Balfour Beatty – as part of the BICC group – and Skanska of Sweden are to be responsible for the civil works. Asea of Sweden and Boving of Britain are to be involved in electrical and mechanical work.

Despite intense competition from Japanese firms, a major £58 million contract has been

secured by Davy McKee, to supply Korea's Pohang Iron and Steel Company with a blast furnace for a new integrated steel mill to be located at Kwangyang on the southern edge of the Korean peninsula.

A £25 million management contract for one of the largest and most prestigious building developments in Kuala Lumpur has been awarded to Teamwork Malaysia Sdn Bhd – an associated company of the Taylor Woodrow Group – by Fima Supermarkets Malaysia Berhad. The project includes demolition of an existing supermarket and the redevelopment of the site for a basement car-park, shopping podium and office tower. Demolition work has already been completed and the 27-storey, 70,000 sq m (750,000 sq ft) development will be constructed in two phases with completion of the shopping podium scheduled for September 1985, and the office tower for August 1986. Facilities in the podium will include a supermarket, a department store, a pharmacy, more than 50 specialist shops, a restaurant, a fast food outlet and a bank. The basement car-park will have four levels with space for 550 vehicles. A total of 1,250 sq m (13,500 sq ft) of modern, spacious offices will be provided on each of the 21 office floors. The building will be fully air-conditioned and the most modern electrical and mechanical services will be provided.

Harrison Western Corporation and The John W. Cowper Co Inc, North American subsidiary companies of F.J.C. Lilley, have been awarded several major contracts in the United States and Canada. Contracts in the United States include water, sewerage and irrigation works; a hotel complex; a subway station; a hydroelectric plant in California; a processing centre at Mountain Bell for the Telephones and Computer Centre, Denver; and university buildings for the Rensselaer Polytechnic Institute at Troy in New York State. Canadian contracts include the refurbishment of a natural gas pipeline in Ontario and a gold-mine development on Vancouver Island, British Columbia.

Various Wimpey Group companies have been successful in obtaining contracts in Canada to a total value of approximately £22 million. Wimpey Canada has completed remedial work to three access ramps on the Gardiner Expressway in Toronto. McNamara Construction is building an earthfill dam (and related works) for a hydroelectric project in Newfoundland. The dam will be at Bishop's Falls on the Exploits river and will replace the previous dam and power plant destroyed by flooding in February 1983. Cofferdams will be used to divert the river and materials excavated from the riverbed will form the new dam. McNamara Construction is also grading the site for a 5-km (3-mile) stretch of four-lane trans-Canadian highway, again in Newfoundland. The work involves clearing 40 hectares (100 acres) of trees and bush, excavating 500,000 cubic m (17·7 million cubic ft) of rock and glacial till, drainage culverts, paving and landscaping. The other contracts are: an extension for long-term care patients to the Georgetown and District Memorial Hospital, Ontario; a 4,650 sq m (50,000 sq ft) steel framed factory including mechanical services, car-parks and landscaping at Oakville, Ontario; phase I of a 10-storey concrete frame office tower and retail mall for Princeton Developments in British Columbia; an extension to the existing court at Medicine Hat, Alberta; and a two-storey reinforced concrete office building at Borden on Prince Edward Island.

Balfour Beatty Power Construction has signed a £2·3 million contract with the Government of Belize for the design, supply and installation of four Callender-Hamilton bridges, on the southern highway in Belize to replace existing timber bridges. The contract includes the installation of foundations, substructure works and road approaches for the four bridges.

The French Kier group has been awarded construction contracts worth £14 million in the West Indies. Three are in Port of Spain, Trinidad and Tobago, and the fourth is in Jamaica. At Port of Spain, Kier International has a £3·4 million award for the design and construction of a five-storey car-park for Nealco Properties; a £4·4 million contract from the Trinidad and Tobago Water and Sewage Authority to build two 13,500 cubic m (480,000 cubic ft) circular prestressed concrete service reservoirs; and a £1·3 million award from Victoria Investments for a three-storey concrete framed office block. In Jamaica, Caribbean Construction, part of the Kier group, has been awarded a £4·8 million contract for the erection of a six-storey office building at Kingston for the Jamaica Mutual Life Assurance Society.

George Wimpey (Caribbean) has won a contract worth more than £7 million for a block of luxury flats in Port of Spain, Trinidad and Tobago. This contract follows closely on the announcement of the £7 million third-phase contract for 252 houses and services for the Bon Air and Garden Estate in Arouca, Trinidad and Tobago. The new contract is for 48 luxury flats in a 13-storey block of apartments overlooking Queens Park Savannah. The development is a steel frame building with concrete floors and block infill walls together with high quality finishings. Work started in mid-1983 and completion was scheduled for November 1984.

In the Dominican Republic Rush and Tompkins has won a contract worth over £3 million for 35 km (22 miles) of road improvements in the south. Work is being funded by the International Development Association and includes 140,000 cubic m (4·9 million cubic ft) of excavation, road widening and straightening of three separate stretches of road.

Processing of coal in the Australian state of Victoria has enabled Kilpatrick Green to secure an order for installation of mechanical equipment, piping and electrical services from Brown Coal Liquification Victoria Ltd. The orders placed by the project managers Davy McKee Pacific and valued at £2·5 million are for a pilot plant to prove the feasibility of the process to produce liquid fuels from coal, the first of its kind in Australia.

Balfour Beatty Power Construction (Australia) Pty has been awarded a contract for the supply of steelwork and foundation materials and for the installation of the complete 220-kV overhead transmission line from Moorabool to Ballarat in the state of Victoria. The value of the contract is £2·25 million. The client is the State Electricity

Commission of Victoria which will supply the insulators and the conductor, with steelwork being supplied by a local fabricator. Work began in January 1984 with completion scheduled for the end of the year.

Costain Australia has been awarded a £52 million contract for the first phase of a £260 million residential and commercial development at South Yarra, Melbourne. Work was due to start in April on the scheme which includes two apartment buildings, an office tower, a motel, serviced apartments and a leisure centre. It is due for completion in late 1988.

Sir Alfred McAlpine's associate company, Construções A. Supico Sarl has been awarded a £2·8 million contract by the Ministry of Habitation and Public Works in Portugal. Work involves the construction of Beliche dam, part of the irrigation system for southern Algarve. It will be a rockfill dam with clay core, with a total volume of about 1 million cubic m (35 million cubic ft), a crest length of 530 m (1,750 ft) and a height of 58 m (190 ft). The work also includes a 200-m long, 3·5-m diameter diversion tunnel and a 130-m (425-ft) long spillway.

The same associate company of Sir Alfred McAlpine recently completed three road-building contracts worth £34 million in Portugal. The first was an 18-km (11-mile) road which was a joint venture of £5·4 million with Junta Autonama das Estradas for the Covilha bypass. The second completed contract was for two sections of the motorway, Auto Estrada do Norte. The contract for the 16-km (10-mile) Condeixa to Coimbra stretch was valued at £20·5 million and that for the Coimbra to Mealhada length at £8·1 million.

Norwest Holst completed the first phase of its Nueva Andalucia holiday home development on the Costa del Sol in November 1983. The site which will eventually cover some 90,000 sq m (970,000 sq ft) is set close to Marbella. It will incorporate six swimming pools, three tennis courts and a leisure centre and is close to three golf courses.

Shorter Notes

REGIONAL INDUSTRIAL POLICY

The White Paper on regional industrial policy published in December 1983 (see pp 15-18) has attracted over 500 responses. These support an extension of grants to the services sector; overwhelmingly endorse unemployment as the main criterion for designation as an assisted area; and favour an 'inner tier' of assistance to concentrate aid on areas of greatest need.

Speaking on 25 October, the Minister of State for Industry, Mr Norman Lamont, said that decisions on issues such as rates of grant and the coverage of the assisted area map would be announced later in the autumn. The priority would be to relate regional aid directly to jobs. Mr Lamont rejected calls for increased expenditure because the new regional policy would be more cost-effective and also because a balance needed to be struck between the cost of regional policy and the need to reduce the tax burden. He also rejected suggestions that changes would reduce the attractiveness of assisted areas to mobile projects. The Government's concern for long-term competitiveness was not inconsistent with a regional policy that created 'genuine, long-term jobs'. Support had been concentrated on capital investment for far too long; there was no reason why labour-intensive sectors should not also be competitive in the longer term. 'Jobs are what the assisted areas need and jobs are what our policy is aimed at.'

Source: Department of Trade and Industry press notice, 25.10.84.

NORTH SEA POLLUTION

Britain's policy of controlling discharges into the North Sea by first cleaning up rivers and estuaries was explained by Mr William Waldegrave, Parliamentary Under-Secretary of State at the Department of the Environment, in a speech to the International Conference on the Protection of the North Sea, in Bremen on 31 October. He pointed out that the Thames, which in London used to be severely polluted, had been so successfully cleaned up that more than 100 different species of fish could now be caught in it. Significant progress had also been made in improving the quality of the Tyne and Tees estuaries, the Humber and the Firth of Forth. The Control of Pollution Act 1974 (see p 88, 1982) had given water authorities formal powers to control pollution of beaches and coastal waters, and tightened controls over discharges to rivers and estuaries. The Government had also adopted the European Community directives in the field of water quality.

The stringent remedial measures had been necessary because rivers had long been the major source of pollution of the marine environment. By comparison, inputs from other sources were very small – for instance, sea-dumping of sewage sludge represented less than 5 per cent of the total input of metals from land-based sources. The North Sea, with its strong tides and fast exchange of water with the Atlantic, was well able to absorb limited quantities of contaminants without creating pollution. If Britain had any reason to believe that its limited programme of controlled sea-dumping caused, or was likely to cause, environmental damage, it would stop.

As an indication of its commitment to the progressive improvement of the quaility of the North Sea, Mr Waldegrave announced that Britain was willing to arrange a second conference in 1986 or 1987 to seek agreement on whatever further action might be needed.

Source: Department of the Environment press notice, 31.10.84.

NEW INSTITUTE OF INFORMATION TECHNOLOGY

Plans to establish an independent institute of information technology, the first of its kind in Britain, were announced in October. The institute, which will seek sponsorship from both British electronics manufacturers and users, will be concerned with education, training and research and development. A special feature of its work will be the provision of in-career conversion and updating courses in advanced concepts and techniques. It is aimed to begin courses in 1985, and by 1990-91 the institute plans to produce up to 800 graduates annually, and provide for up to 5,000 students a year on in-career and special courses and 500 postgraduate students. Its work will be conducted on a fully commercial basis, but government funding will be sought for the tuition fees and maintenance costs of undergraduate students. Based in Milton Keynes, to the north-west of London, the institute will be linked in the area of production technology with the Cranfield Institute of Technology.

The plans for the institute have been drawn up in the light of a government report,[1] published in July 1984, which drew attention to the importance of increasing the extent and quality of information technology skills in Britain in order to meet both present shortages and longer-term needs. The report forecast a shortfall of some 5,000 information technology graduates over the next four years.

Welcoming the announcement, Mr Peter Brooke, Parliamentary Under-Secretary of State at the Department of Education and Science, said that the plans were evidence of an increasing concern of British employers with the world of education and its role in meeting the requirements of their staff for training in advanced technology. The Minister of State for Industry and Information Technology, Mr Geoffrey Pattie, said that the proposals for the institute demonstrated a willingness on the part of British industry to invest substantially to meet national needs in a relevant, flexible and cost-efficient way. One institute, however, could not satisfy the national need and the Government would continue discussions with interested parties to establish a partnership with industry on a broader basis in terms of geographical spread, companies involved and courses provided.

Sources: Cranfield Institute of Technology press notices, 26.10.84; the Department of Trade and Industry press notice, 31.10.84; Department of Education and Science press notice, 31.10.84.

NOBEL PRIZES

Two British citizens, Sir Richard Stone and Dr Cesar Milstein, have been awarded Nobel Prizes.

The 1984 Nobel Prize for Economic Sciences was awarded to Sir Richard Stone who, from 1955 until his retirement in 1980, was professor of finance and accounting at the University of Cambridge. Sir Richard is the fourth British recipient of the prize and the first to win it outright. The award was for fundamental contributions to the development of systems of national accounts, which led to a great improvement in the basis for empirical economic analysis. Sir Richard also carried out work in the study of consumer behaviour and in model-building in economics.

During the second world war, Sir Richard worked with James Meade (joint Nobel Prize winner in 1977 – see p 445, 1977) in the Cabinet Office. They produced the first official estimates of national income and expenditure, which led to the publication of the series of annual Blue Books (see pp 382-3). After the war Sir Richard became the first director of the Department of Applied Economics at the University of Cambridge.

Dr Cesar Milstein was awarded the 1984 Nobel Prize for medicine jointly with Dr Georges Köhler of the Federal Republic of Germany and Professor Niels Jerne of Denmark. Dr Milstein, of the Medical Research Council's Laboratory of Molecular Biology in Cambridge, was awarded the prize for his work in producing the first monoclonal antibodies in 1975 with Dr Köhler, who was then a post-doctoral fellow at the Cambridge laboratory. The use of these highly purified antibodies are leading to major changes in the diagnosis and treatment of disease, including the production of drugs which can be aimed at specific cells or parts of the body. The antibodies can be used in blood-grouping, in locating cancer cells before treatment, in developing vaccines (for example, against the parasite that causes malaria), and in a wide variety of fundamental research, such as mapping out pathways in the brain. Professor Jerne's theories on antibody diversity marked a turning-point in the science of immunology.

Dr Milstein, who is a naturalised British citizen, was born in Argentina and first went to Cambridge to study for his doctorate in 1958. He joined the Laboratory of Molecular Biology in 1963, and in 1983 became head of its Division of Protein and Nucleic Acid Chemistry.

[1] *Human Factor: The Supply Side Problem*. Report of the IT Skills Shortage Committee under the chairmanship of Mr John Butcher, MP. Available free from the Ashdown House Library, Department of Trade and Industry, Ashdown House, 123 Victoria Street, London SW1E 6RB.

SOCIAL AND CULTURAL AFFAIRS

The Health Service in England

Increases in the numbers of patients treated and improvements in services provided for the elderly and other priority groups are among the main achievements described in the annual report of the National Health Service in England in 1984.[1] Making the most cost-effective use of available resources remains the major challenge facing the Service, which will have to respond also to demographic and social change and to advances in medical science and practice.

Chapter 1 of the report – the first of its kind to be published – summarises the achievements of each major sector of the health service in recent years, the resources available to the service and the main challenges remaining. Later chapters describe the record and policy for each sector in more detail.

Achievements

Although the health service (the largest of the public services, employing over a million people) is a vast and complex organisation, says the report, its objective is a simple one: to help individuals to stay healthy and to provide effective and appropriate treatment and care where necessary. More services are being provided, with real improvements in their quality and distribution; good progress is also being made towards better patterns of service; and new forms of treatment are being provided more generally across the country. More patients are now being treated than ever before, the number of in-patient cases in 1983 having increased by nearly 650,000 since 1978 and out-patient attendances by over 2·5 million.

The improved performance of the acute hospital services[2] is due mainly to developments in facilities and professional staffing and in medical and surgical practice. Among other facilities, 169 new operating theatres, forming part of 35 major schemes each costing between £5 million and £20 million, will have been completed in the five years 1980 to 1984, and over 70 other schemes of £5 million or more are now being planned or under construction. The availability of new forms of diagnosis and treatment has been increased; since 1978, for example, there has been a 50 per cent increase in new patients treated for end-stage renal failure, and the number of coronary artery bypass grafts has more than doubled; treatment by laser of certain previously untreatable eye conditions is now being carried out.

In the maternity services, the perinatal mortality rate has been improved dramatically, falling by about a third in five years to 10·3 deaths per thousand births in 1983. Reasons for this include greater awareness of the factors making for a safe pregnancy and the good health of the new-born baby, better facilities and staffing, and increased midwifery and antenatal nursing care.

In the services for the priority groups – that is, elderly people, and people who are mentally ill or handicapped or suffering from physical or sensory handicap – there is less concentration on long-stay hospital care and a move towards more care in the community, either at home or in more local facilities. The number of daily occupied beds in mental illness hospitals and units fell by over 11 per cent between 1978 and 1983. More patients are making use of day-care facilities, while the quality of care for those remaining in long-stay hospitals has benefited from improvements in medical and nursing staffing. Two new specialist units for patients with spinal cord injury or disease have been opened in 1984. Joint ventures between health authorities and local authorities to promote community care have been expanded, and a special Care in the Community Programme has been launched (see p 333).

The primary health care services (those supplied by family doctors, dentists, pharmacists, opticians, health visitors and district nurses) have been strengthened by an increase of 12 per cent in the number of both medical and dental practitioners between 1978 and 1983; the size of the average family doctor's patient list fell by 9 per cent in that period. Community health services have been improved by providing more nurses and health visitors and by better training and work patterns; more people are being nursed and visited at home.

In the fields of health education and prevention of illness and disease, there have been reductions

[1] *The Health Service in England. Annual Report 1984.* HMSO, £6·95. ISBN 0 11 321010 8.

[2] Acute services are defined as including all specialties other than obstetrics, geriatrics, general practitioner and maternity services and services for young disabled people and the mentally ill or handicapped.

in the numbers of smokers and in cigarette consumption (see pp 279-80, 1983). Acceptance rates for immunisation against infectious diseases such as poliomyelitis and measles have improved, and individual interest in healthy life-styles is growing.

Resources

There have been substantial increases in the resources available to the health service over the last five years. Spending in cash terms has doubled from £6,500 million to nearly £13,000 million, representing an increase in spending in real terms (allowing for pay and price increases) of over 7 per cent between 1978-79 and 1983-84. These increases have been sufficient to allow the hospital and community health services to grow more quickly than the demographic pressures on them, and to finance the expansion of the family practitioner services, as well as to provide for capital expenditure (spending on buildings and equipment) in 1983-84 which was 23 per cent higher in real terms than the 1978-79 level.

Progress continues to be made in achieving a fairer share of health service resources across the country. Although there are still disparities between the 14 regional health authorities in their funding levels, the gap between the worst and the best has narrowed from 22 per cent in 1979-80 to 14 per cent in 1984-85.

Challenges

Although its successes have been notable, says the report, the health service still faces the challenge of meeting the new needs arising from demographic and social changes, such as the rising numbers of elderly people, increases in alcohol consumption and drug misuse (see pp 279-80, 1984), and advances in medical science and practice. There is also still too much variation in standards of service and provision, with local deficiencies and shortages to be overcome. The central aim must be to bring standards in all areas to the level of the best now being achieved and to make the most cost-effective use of available resources.

Further increases in the resources available to the service will help progress towards these objectives; spending in cash terms for the three years 1984-85 to 1986-87 will increase by 17 per cent over 1983-84 compared with 10 per cent for public expenditure programmes as a whole. A number of steps have already been taken to increase value for money by maximising services to patients: these include improving the structure and management of the service (see pp 257-8, 1980, and p 391, 1983); improving the accountability of health authorities; encouraging better use of manpower; and substantial cost-saving programmes in areas such as cleaning, catering and laundry.

Shorter Note

BRITISH FILM YEAR

A major publicity campaign to raise public awareness and appreciation of British films, to increase cinema attendances, and to secure wider distribution of British films overseas is to be launched in March 1985 by the British film industry. To be called British Film Year, the campaign is being supported by all sections of the industry, by commercial sponsors and by the Department of Trade and Industry.

The central feature of the Year within Britain will be a special travelling exhibition which will visit cities throughout the country and act as a focus for local events. An education programme will provide a link between new films showing in cinemas and subjects of all kinds taught in schools. The main cinema chains will spend an average total of £1 million each month throughout the campaign on modernising, refurbishing and renewing equipment in their cinemas.

The international programme, beginning in July 1985, will consist of a series of British Film Weeks in some 40 cities throughout the world. About 15 of the venues will feature a special touring pavilion showing the past and future of British film-making. All the venues will show a programme of critically acclaimed British films of the 1980s under the title 'The Revival Years'. Gala premières of new British films will be held where possible, and the Weeks will also include seminars and educational exchange programmes.

Welcoming the launch of British Film Year, the Minister of State for Industry, Mr Norman Lamont, said that in recent years there had been a new vigour and self-confidence in the British film industry; British creativity and talent had never been more in evidence. New markets for films were being provided by Channel 4 (the fourth television network, which opened in 1982), cable television, video and broadcasting by satellite. He felt sure that the industry would respond with equal energy and creativity to other markets as they opened up. For the foreseeable future, however, the cinema was likely to remain the proving ground for new films.

Sources: British Film Year press kit (available from 17 Great Pulteney Street, London W1R 2DG) and Department of Trade and Industry press notice, 18.10.84.

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security categorisation of prisoners have been welcomed by the Government, and immediate steps are to be taken to tackle deficiencies in procedure; in addition, a study of categorisation procedures overseas has been commissioned to help in designing a more objective system. Available from the Home Office Library, 50 Queen Anne's Gate, London SW1H 9AT. £1·50. ISBN 0 86252 170 X.

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Staying At Home: Helping Elderly People, by Dr Anthea Tinker. A report by the Department of the Environment on research undertaken in co-operation with the Department of Health and Social Security which examines a variety of innovatory schemes devised by housing and social services authorities to meet the needs of the growing numbers of elderly people and to enable them to remain in their own homes rather than move to sheltered housing or institutional care. HMSO, £9·50. ISBN 0 11 751755 0.

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